PROGRAM PERFORMANCE REPORT

Fiscal Year 2000

Department of the Treasury

TABLE OF CONTENTS

III. Law Enforcement Mission: Safeguard Our Financial Systems, Protect Our Nation's Leaders, Secure a Safe and Drug Free America

IV. Management Mission: Continue to Build a Strong Institution

V. Appendices

INTRODUCTION

About Treasury

Treasury's responsibilities and activities are broad in scope and touch the lives of nearly all Americans. The Department's role in promoting a stable economy, managing the Government's finances, and fighting crime are crucial in supporting a strong and robust America. Among its functions,

- Treasury's *domestic economic* responsibilities include developing policies and guidance affecting fiscal matters, financial institutions, financial regulation, and capital markets.

- Treasury's *international economic* responsibilities include developing policy and guidance in the areas of international monetary affairs, international debt strategy, and U.S. participation in international financial institutions.

- Treasury's *financial* responsibilities include collecting money due the United States, making its payments, managing its borrowings, performing central accounting functions, collecting delinquent debt, and producing coin and currency.

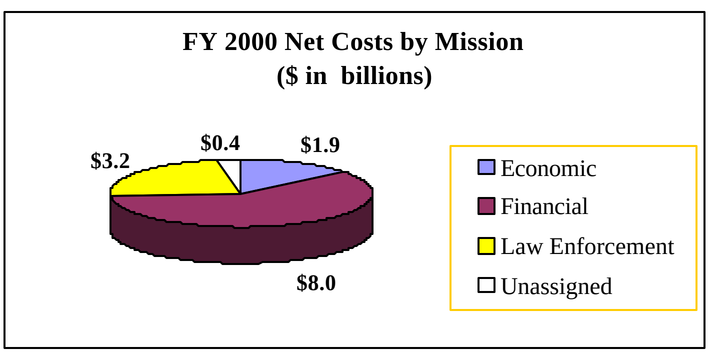
- Treasury's *law enforcement* responsibilities include protecting our borders by preventing drug smuggling and related money laundering, fighting violent crime, and protecting our Nation's leaders.

Facts and Figures

Treasury's FY 2000 appropriation was nearly $12.5 billion, with almost 144,000 employees located throughout all 50 states, the District of Columbia, and many overseas sites. Treasury has 14 bureaus, varying in size, with the Internal Revenue Service having 68% of all Treasury employees, the U.S. Customs Service having 14%, and the remaining 18% spread over the other bureaus and headquarters offices.

Measuring *costs* (the value of resources used to achieve an objective) is an integral part of measuring performance. When cost information is linked to measures of effectiveness in achieving a desired outcome or stated objective, readers can assess the "cost-effectiveness" of a program. *Net cost* refers to a program's total costs (including supporting services) minus the revenues the program earns.

The combined total net cost of Treasury's business in FY 2000 was $13.5 billion as reported on the financial *Statement of Net Cost* in the FY 2000 Accountability Report. This Statement and supporting information display the full costs of programs carried out by the Treasury Department to meet the three strategic missions described in the Treasury Strategic Plan: Economic, Financial, and Law Enforcement. The Report also displays costs by bureau, office or organization within the three mission areas.



Although bureaus allocated most of their management and general administrative costs to programs within the three mission areas, approximately $400 million in net costs which could not be reasonably allocated to a program area are shown as *Unassigned*. These unassigned costs are principally for the Treasury Inspector General, Treasury Inspector General for Tax Administration, and the Departmental Offices' Working Capital Fund.

Purpose and Structure of Performance Report

The Government Performance and Results Act (Results Act) establishes formal requirements for strategic planning and performance measurement in the Federal Government. The Results Act requires that agencies develop five-year Strategic Plans, and annual Performance Plans and Performance Reports. Treasury recently updated its Strategic Plan in September 2000 and has been submitting annual performance plans as part of its annual budget since FY 1997. This document represents Treasury's second stand-alone performance report, and is a supplement to Treasury's FY 2000 Accountability Report, required under the Chief Financial Officers Act of 1990.

This Performance Report presents Treasury's progress both in achieving the Department's strategic goals and objectives and in achieving our published performance targets. Under each of Treasury's four mission areas and relevant strategic goals, the status of our forty-four Strategic Objectives (as presented in the Department's FY 2000 – FY 2005 Strategic Plan) is discussed. Each discussion includes:

- Key Trends to highlight trends in the environment Treasury's efforts are trying to impact.

- Treasury Programs to specify the Treasury offices, bureaus, and programs that work to accomplish the objective.

- FY 2000 Key Accomplishments and Performance Results to present significant key efforts during the past fiscal year towards achieving the objective. This section includes bureau performance goals and measures related to the objective (presented in chart form), with planned targets and actual results. Each measure also includes a definition of that measure, and an explanation of any shortfall, including planned improvements during FY 2001.

  Performance Summary tables are included for each mission area, strategic goal, and strategic objective. These tables show the number of measures for that section that "Met or Exceeded Target," were "Not Met," or were "Other" (including measures that were of qualitative nature, baselines had been set during FY 2000, or data was not available to report). The tables also include a tally of measures that were of "Maximum or Improved Performance" ("Maximum" meaning that performance could not be exceeded [e.g., already at 100%}; "Improved" meaning that FY 2000 performance was greater than FY 1999 performance).

  It should be noted that some objectives do not have associated performance measures at the bureau level and include only narrative explanations of efforts to achieve the objective.

Management Challenges and High-Risk Areas. Management challenges and high-risk areas recently identified by the General Accounting Office and Treasury's Inspectors General are presented in Appendix A. This table identifies each issue and describes efforts during FY 2000 to address the issue.

Program Evaluations. Program evaluations performed during FY 2000 are presented in Appendix C.

Data Accuracy. Unless otherwise noted, the data presented for the bureau performance measures have been reported by Treasury's bureaus and offices to be sufficiently accurate for program management and performance reporting purposes.

Relationship to FY 2001 Performance Plan. Bureaus determined the performance measures and targets for their final FY 2001 performance plan in light of the progress made in FY 2000. In some cases, measures have been reworded to clarify their intent; in other cases, measures have been added or deleted to better assess progress against strategic objectives.

COMMENTS
We welcome your feedback

Comments or questions regarding this FY 2000 Program Performance Report should be referred to the ***Office of Strategic Planning and Evaluation*** *at the Department of the Treasury.*

Phone: (202)622-0510
Fax: (202)622-2549
E-Mail: comments@do.treas.gov

Mail: Office of Strategic Planning and Evaluation
Department of the Treasury
Metropolitan Square Building, 6th Floor
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220

EXECUTIVE SUMMARY

The purpose of Treasury's strategic management effort is to improve *results* delivered to the American public. Last year the Department transmitted to Congress, as part of the budget, a final performance plan for FY 2000 that detailed the performance targets for Treasury's bureaus and offices.

Overall, the Department established 340 performance targets in FY 2000. Of these, 46 measures were either baselined in FY 2000, were qualitative and not objectively measurable, or had no data available for FY 2000. Of the remaining 299 measures that were objectively measurable, Treasury:

- Met or exceeded 196 targets (roughly two-thirds);
- Improved performance over FY 1999, or maximized performance, for 154 measures;
- Did not meet 98 targets.

Treasury has three programmatic mission areas (Economic, Financial and Law Enforcement), and one support mission area (Management). FY 2000 performance highlights for each mission area are presented below.

Economic Mission: Promote Prosperous and Stable American and World Economies

On the domestic side, Treasury continued to work closely with executive branch agencies and offices to monitor economic outlook and policy issues, including development of Administration policies and policy positions, and evaluations of alternative policy proposals. Treasury's Office of Tax Policy completed a number of projects aimed at simplifying the regulatory environment surrounding pension plans. Particularly noteworthy has been the ruling which permits automatic enrollment of new employees in 401(k)s and other similar pension plans.

In the global arena, Treasury was influential in obtaining international cooperation to relieve the debt of many heavily indebted poor countries, particularly in Africa. Work continued to promote global financial stability through cooperation and information exchange with the international Financial Stability Forum (FSF), which Treasury helped establish in 1999. In 2000, three FSF working groups helped strengthen the international financial architecture with their reports recommending improvements in risk management, dis closure practices among financial institutions, and oversight of creditor institutions. Treasury also took the lead in integrating various agencies and organizations' efforts to curb international money laundering, corruption, and other financial crimes that could undermine the credibility of the global financial system.

Financial Mission: Manage the Government's Finances

Continuing its efforts to improve compliance with tax laws and collect the revenue due to the Federal government, the IRS and FMS launched a pilot project to allow taxpayers to pay electronically. The U.S. Customs Service continues to collect approximately 99% of the duties and taxes amount due. In keeping with its electronic payments strategy, Treasury again reduced check payments while increasing electronic payments by more than 15 million in FY 2000. The Department also issued new regulations for Treasury debt buybacks and began buyback operations, all of which went smoothly with heavy participation by the market. Treasury was able to buy back over $21 billion of debt held by the public during FY 2000. In addition, Treasury implemented savings bonds purchases over the Internet, resulting in $85.8 million bonds sold in FY 2000. The Bureau of Engraving and Printing achieved manufacturing cost reductions in FY 2000 and introduced the newly redesigned $5 and $10 notes for further protection from counterfeiting. The Mint saw an increase of 107% in the number of numismatic products shipped to customers in FY 2000, and maintained or improved performance on 5 of its 8 customer service standards.

Law Enforcement Mission: Safeguard Our Financial Systems, Protect Our Nation's Leaders, and Secure a Safe and Drug Free America

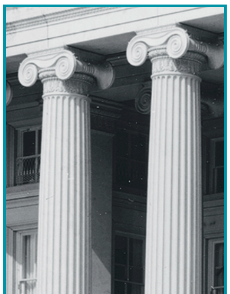
Treasury made progress in all of its strategic goals. In March 2000, Treasury published the second in a series of five annual National Money Laundering Strategy reports called for by the Money Laundering and Financial Crimes Strategy Act of 1998. The Strategy contains over 60 action items to help law enforcement and regulatory agencies in the fight against financial crimes, including money laundering. Treasury continued to expand its violent crime prevention efforts by introducing on the Internet a new "eZ Check" system. The new system helps members of the firearms industry ensure that no firearms licenses are used fraudulently by individuals who alter copies of licenses to illegally acquire and supply firearms to criminals and youth.

Management Mission: Continue to Build a Strong Institution

Treasury continued to work to improve internal management and support operations and to improve program performance. In order to attract and retain a high-quality workforce, Treasury used a variety of recruitment tools, including private sector expertise in marketing, advertising, search firms, and Internet recruiting. Treasury continued to improve quality and timeliness of the Department's financial data, reducing the number of material weaknesses, and maintaining a qualified audit opinion on its FY 1999 financial statements (and eliminating one of two items causing the qualified opinion). Treasury's Capital Investment Review Board approved nine capital investments (three information technology and six non-information technology). The Department continued its Building Modernization and Renovation work at the main Treasury building in Washington, D.C. In an effort to gauge the success of our programs using a more balanced approach to measurement, several bureaus instituted regular feedback processes for measuring and improving customer and employee satisfaction.

Treasury-wide Performance Summary

Total Measures	Targets Met	Targets Not Met	Other	Maximum or Improved Performance
340	**196 (58%)**	98 (29%)	46 (13%)	154 (45%)



PART I

ECONOMIC: PROMOTE PROSPEROUS AND STABLE AMERICAN AND WORLD ECONOMIES

ECONOMIC MISSION AREA SUMMARY

MISSION: PROMOTE PROSPEROUS AND STABLE AMERICAN AND WORLD ECONOMIES

Treasury seeks to maximize growth and stability in the U.S. and world economies. In pursuit of this mission, the Secretary of the Treasury is the principal economic advisor to the President and plays a critical role in policy making by bringing an economic and financial policy perspective to national and international issues.

In the domestic arena, Treasury develops policies and provides guidance affecting fiscal matters, financial institutions, financial regulation, and capital markets. Treasury also oversees the activities of the Offices of the Comptroller of the Currency and Office of Thrift Supervision, whose primary missions are to ensure the safety and soundness of National Banks, Federally Chartered Savings Associations, and Federally Chartered Savings Banks.

Additionally, through the program of the Community Development Financial Institutions Fund, Treasury promotes economic growth in distressed communities by increasing the availability of business capital and financial services. To achieve its economic goals, Treasury coordinates cross-cutting activities with other agencies, principally the Federal Reserve Board, Federal Deposit Insurance Corporation, Securities and Exchange Commission, the Departments of Health and Human Services, Housing and Urban Development, Labor, and Commerce, Small Business Administration, and various Executive Office councils and offices, such as the National Economic Council and Office of Management and Budget.

In international affairs, Treasury is a key Cabinet agency charged with developing policies and guidance on international monetary issues, trade and investment policy, international debt strategy, and leading U.S. participation in international financial institutions, such as the International Monetary Fund and the World Bank. Overall, it is difficult to attribute performance in the global economic arena solely to Treasury or one specific agency because international efforts are coordinated by several U.S. agencies, including Treasury, the U.S. Trade Representative, the Departments of State, Commerce, and Agriculture, Agency for International Development, Central Intelligence Agency, Overseas Private Investment Corporation, and the Export-Import Bank of the U.S. Of course, other nations and international organizations affect the outcomes of these efforts. The “Group of Seven” industrialized nations (the G-7), Organization for Economic Cooperation and Development, the “Paris Club,” International Monetary Fund and World Bank, to name just a few, are all players, and all have an impact.

FY 2000 Highlights

Domestic Economic Growth

- In FY 2000, the unified budget surplus was $237 billion, the largest ever in nominal terms and almost twice as large as in FY 1999. Relative to the size of the Gross Domestic Product, this year’s surplus at 2.4 percent was the largest since 1948.

- Treasury's Office of Tax Policy completed a number of projects aimed at simplifying the regulatory environment surrounding pension plans. Particularly noteworthy was the ruling permitting automatic enrollment of new employees in 401(k)s and other similar pension plans. Surveys suggest that automatic enrollment has increased participation in many companies from about 75 percent to about 95 percent and in some cases has doubled the rate of participation.

Global Economic Growth

- The Secretary of the Treasury and Under Secretary for International Affairs were influential in obtaining international cooperation to relieve the debt of many poor countries, particularly in Africa. The unmanageable debt burdens of these poor countries often prevent them from making investments to reduce their poverty. The G-7 nations agreed to do more to reduce the debt burden of these heavily indebted poor countries (the HIPC initiative) if they commit to reform and use the savings for investments in the social sectors.

- Treasury helped mobilize resources to fight the spread of AIDS, a transnational problem that is devastating sub-Saharan Africa and seriously affecting other areas of the developing world. Treasury was effective in urging the World Bank and regional development banks to reallocate resources to prevent and treat AIDS and other infectious diseases. Treasury worked to secure Congressional approval of $50 million in FY 2001 for the Global Alliance for Vaccines and Immunizations, a new collaborative effort of the U.S. and other governments and private organizations. Treasury also urged Congress to pass a new tax credit to encourage U.S. pharmaceutical companies to develop vaccines for HIV/AIDS and other infectious diseases ravaging developing countries.

- The U.S. and its partners in the “Group of Seven” industrialized nations (the G-7) launched new initiatives to reform the International Monetary Fund (IMF) and Multilateral Development Banks and to redefine core thinking about development and assistance. As a result, the IMF instituted key reform measures, such as increasing openness and transparency within the institution itself and in the countries receiving IMF financial assistance.

- Treasury helped establish an international Financial Stability Forum (FSF) in 1999 to promote global financial stability through cooperation and information exchange. In 2000, three FSF working groups helped strengthen the international financial architecture through their reports recommending improvements in risk management, disclosure practices among financial institutions, and oversight of creditor institutions.

- Treasury took the lead in integrating various agency efforts to curb international money laundering, tax evasion, corruption, and other financial crimes that could undermine the credibility of the global financial system. The G-7 nations agreed that measures could be imposed on countries identified as uncooperative in dealing with these problems.

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
80	**57 (71%)**	11 (14%)	12 (15%)	37 (46%)

GOAL: PROMOTE DOMESTIC ECONOMIC GROWTH

Treasury develops and implements policies related to domestic economic development, tax policies and programs, banking and financial institutions, and other fiscal matters. Working with other agencies and organizations, Treasury works to improve retirement security, increase saving rates, strengthen entitlement programs, improve economic growth in impoverished communities, improve the transparency, integrity, and efficiency of U.S. financial markets, and improve the structure and safety of financial institutions. Treasury also contributes to this goal through its regulation of the safety and soundness of the financial institutions it oversees.

Key Partners in Achieving this Goal Include: The Departments of Commerce, Housing and Urban Development, and Health and Human Services, the Small Business Administration, the Federal Reserve Board, the Federal Deposit Insurance Corporation, the Securities and Exchange Commission, the Commodity Futures Trading Commission, the White House, various advisory committees, and Congress.

Benefits to the American Public: Economic growth provides stimuli for improvement in the quality of life for all Americans through increases in employment opportunities with its related income, potential for savings and investment, disposable income, consumption, and financial security.

FY 2000 Highlights

- In FY 2000, the unified budget surplus was $237 billion, the largest ever in nominal terms and almost twice as large as in FY 1999. Relative to the size of the Gross Domestic Product, this year's surplus at 2.4 percent was the largest since 1948.

- Treasury's Office of Tax Policy completed a number of projects aimed at simplifying the regulatory environment surrounding pension plans. Particularly noteworthy has been the ruling permitting automatic enrollment of new employees in 401(k)s and other similar pension plans. Surveys suggest that automatic enrollment has increased participation in many companies from approximately 75 percent to about 95 percent and in some cases has doubled the rate of participation.

- The President's Working Group on Financial Markets issued a report to Congress on the modernization of Over-the-Counter derivatives regulations. Many of the recommendations in this report were included in legislation that has since become law, namely the Commodity Futures Modernization Act of 2000 (CFMA). A key element of the CFMA was an agreement between Securities Exchange Commission (SEC) and the Commodity Futures Trading Corporation (CFTC) on single stock futures. Treasury played a significant role in brokering this agreement.

- During 2000, the Office of Thrift Supervision's Community Affairs staff met with approximately 600 different entities or individuals as part of its outreach efforts, and sponsored or co-sponsored or participated in over ninety training and partnership building events.

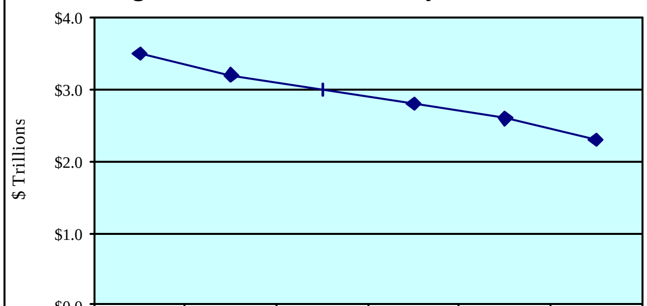
Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
59	**44 (75%)**	9 (15%)	6 (10%)	24 (41%)

Treasury Objective: Reduce Public Debt to No More than $2.3 Trillion by 2005

Key Trends

The unified Federal budget moved into surplus in FY 1998. Since that time, fiscal responsibility and a strong economy have produced growing unified budget surpluses with still larger surpluses projected for at least the next dozen years. The Office of Management and Budget Sequestration Update to the President and Congress for FY 2001 projects this objective will be met with an estimated $2.29 Trillion debt securities held by the public in 2005 (see Fig. 1).

Fig. 1: Federal Debt Held by the Public



	CY 2000	CY 2001	CY 2002	CY 2003	CY 2004	CY 2005
$ Trillions	$3.5	$3.2	$3.0	$2.8	$2.6	$2.3

Treasury Programs

Treasury's Office of Economic Policy, Office of Domestic Finance, and Office of Tax Policy provide to White House and top Administration officials key analyses and information on budget policy and related issues. Treasury also provides critical support with regard to the Budget's revenue proposals by developing options, estimating their revenue effects, and providing explanations of the proposals actually incorporated in the Budget.

FY 2000 Key Accomplishments

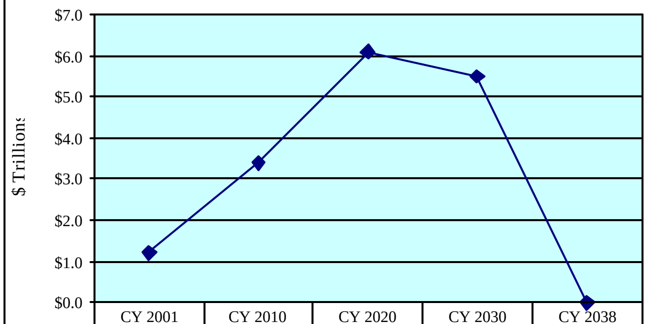
In FY 2000, the unified budget surplus was $237 billion, the largest ever in nominal terms and almost twice as large as in FY 1999. Relative to the size of the Gross Domestic Product (GDP), this year's surplus at 2.4 percent was the largest since 1948. This was the eighth consecutive year of improvement in the Federal budget position since the deficit peaked at nearly $300 billion in FY 1992. Federal spending relative to GDP has declined for eight consecutive years, and in fiscal year 2000 was the lowest since 1966.

Treasury Objective: By 2005, Achieve a 75-Year Solvency for Social Security, and Extend the Projected Solvency for Medicare Beyond 2025

Key Trends

Entitlement reform remains a major challenge for the Nation. Tax revenues for the Old-Age, Survivors, and Disability Insurance Program (OASDI, known generally as Social Security), are projected to exceed expenditures until 2016. Additional revenue from interest earnings on bonds held by the Trust Funds will result in accumulation of assets by the Trust Funds through the mid-2020s. However, reflecting an increasing number of retirees relative to workers, total income is then estimated to fall short of expenditures in each year beginning in 2025. Consequently, Trust Fund assets would be redeemed to cover the difference until the funds are exhausted in 2038 (see Fig. 2).

Fig. 2: Social Security Trust Funds



	CY 2001	CY 2010	CY 2020	CY 2030	CY 2038
$ Trillions	$1.2	$3.4	$6.1	$5.5	$0.0

The Hospital Insurance (Medicare Part A) Trust Fund is also projected to accumulate assets over the near term. However, total income for the Hospital Insurance Trust Fund is projected to fall short of expenditures beginning in 2016, and the Trust Fund is projected to be exhausted in 2029.

Treasury Programs

The Secretary of the Treasury is the Managing Trustee of the Social Security and Medicare Trust Funds and is a leading member of the Administration's economic team. Treasury's Office of Economic Policy provides support to the Secretary in this capacity. Treasury plays a leading role in developing the assumptions on real wage growth, interest rates, and inflation that the Trustees use in evaluating the programs and in setting economic assumptions. Treasury also plays an important role in analyzing potential reforms to Social Security and Medicare.

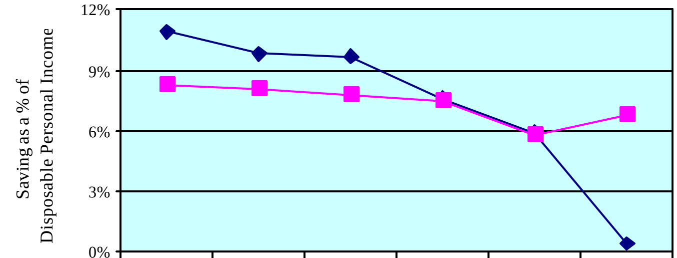
FY 2000 Key Accomplishments

The 75-year actuarial balance of the OASDI Trust Fund improved between the 1999 Annual Report and the 2000 Report, from a deficit of 2.07 percent of payroll to a deficit of 1.89 percent of payroll, and the projected exhaustion date (2037) is three years later than in the FY 1999 report. The improved financial outlook represents the net effect of several relatively small changes in the economic and demographic assumptions used to make the 75-year projections and some improvements in the projection methods. However, during the performance measurement period, no legislation aimed at improving the long-term outlook for either program was enacted.

Treasury Objective: Improve Retirement Security by Increasing Personal Savings and by Expanding Pension Coverage and Participation

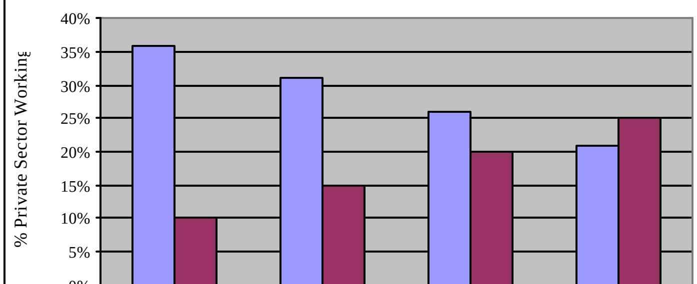
Key Trends

Fig. 3: Personal Saving Rate



	FY 1975	FY 1980	FY 1985	FY 1990	FY 1995	FY 2000
Published	10.9%	9.8%	9.7%	7.6%	5.9%	0.4%
Adjusted	8.3%	8.1%	7.8%	7.5%	5.8%	6.8%

Fig. 4: U. S. Pension Plan Participation



	CY 1982	CY 1987	CY 1992	CY 1997
Def Bene	36%	31%	26%	21%
Def Contr	10%	15%	20%	25%

Many households are woefully unprepared for retirement or financial emergencies. Unfortunately, personal savings for all too many Americans are wholly inadequate to fill the remaining gap between a financially secure retirement and the resources provided by Social Security and an employer-provided pension, if any. Indeed, in the 1998 Survey of Consumer Finances, only 56 percent of families reported that they had saved anything at all in the previous year. Half of households on the brink of retirement (age 55 years to 64 years) had financial holdings of less than $46,000.

At the aggregate national level, the personal saving rate has dropped precipitously. Even after adjusting for the unprecedented run-up in household net worth (the “wealth effect”), the saving rate has eased from the levels prevailing before 1990 (see Fig. 3). In FY 2000, the official personal saving rate dropped by 2.4 percentage points to 0.4 percent from 2.8 percent in 1999. A significant part of this decline can be explained by the sharp increase in equity valuations in recent years. On a wealth-adjusted basis (accounting for the performance of household net worth), the personal saving rate declined by a much narrower 0.7 percentage point to 6.8 percent and was one full percentage point above its level in FY 1995.

Although private pension coverage continues to grow, half of American workers, more than 50 million people, are not covered by an employer retirement plan. Typically these are lower-wage workers, employees of small businesses, and women. Many part-time workers are not covered by Federal rules on pension plans. Statistics also indicate that while the percentage of private sector workers covered by defined contribution plans, which include 401(k) type plans, have increased, the percentage of those covered by traditional defined benefit plans continues to decrease (see Fig. 4). The portability of defined contribution plans favors job mobility, and workers’ desire for more portable benefits may have contributed to the rise of these plans.

Treasury Programs

Treasury’s Offices of Tax Policy and Economic Policy work with the Department of Labor to develop policy proposals related to retirement and pensions plans. Treasury provides in-depth studies and analyses on trends and projections, as well as the implications of policy proposals. Several Treasury Offices are involved in the newly formed National Partners for Financial Empowerment (NPFE), which works to increase public awareness of the importance of financial literacy; encourage better personal financial education for our nation’s young people, workers and families; and bring greater focus and visibility to financial literacy projects underway. Its mission is to help Americans from all walks of life improve their personal financial circumstances.

FY 2000 Key Accomplishments

Treasury's Office of Tax Policy has completed a number of projects aimed at simplifying the regulatory environment surrounding pension plans. Particularly noteworthy has been the ruling permitting automatic enrollment of new employees in 401(k)s and other similar pension plans. Surveys suggest that automatic enrollment has increased participation in many companies from approximately 75 percent to about 95 percent and in some cases has doubled the rate of participation.

Treasury Objective: Help Bring Residents of Distressed Communities into the Economic Mainstream by Promoting Fair and Efficient Delivery of Credit and Other Financial Services

Key Trends

Recent national data indicate that the availability of capital for low- and moderate-income communities is improving. According to the Federal Financial Institutions Examination Council, during the period 1993-99 the number of home purchase loans extended to applicants with incomes less than 80 percent of the median increased 86.2 percent, and to applicants with incomes 80-99 percent of the median 52.1 percent. Between 1998 and 1999 (the latest available data), the number of home loans to African-Americans increased by 11 percent; the number of home loans to Hispanics increased by 18 percent; and the number of home loans to Native Americans increased by 44 percent.

In 1999, lending to small businesses in low- and moderate-income areas increased from 1998. However, the proportion of such lending in low- and moderate-income areas declined from 1998 to 1999, when compared with the proportion of lending in middle- and upper-income areas, falling 8 percent when measured by dollar amount, and 2 percent when measured by the number of loans.

In 1999, commercial banks and savings associations reported community development lending that totaled $17.1 billion, representing an increase from 1998 of 19 percent by number of loans, and 6 percent by dollar amount. A community development loan has as its primary purpose affordable housing for low- or moderate-income individuals, community services targeted to these individuals, activities that promote economic development by financing small businesses or small farms, or activities that revitalize or stabilize low- or moderate-income neighborhoods.

Treasury Programs

The Office of Community Development Policy develops affordable housing policy and community development financial and tax policies, and policies on micro-enterprise development, Brownfields redevelopment, fair lending, the Community Reinvestment Act, improved access to financial services, low-income savings strategies, Empowerment Zones and Enterprise Communities, New Markets, BusinessLINC, the District of Columbia and other matters.

The Community Development Financial Institutions Fund promotes access and local economic growth by directly investing in and supporting CDFIs and by expanding financial service organizations' lending, investment, and services within under-served markets.

The Office of the Comptroller of the Currency and the Office of Thrift Supervision (OTS), pursuant to the Community Reinvestment Act (CRA), assess their institutions' record of helping to meet the credit needs of their entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations.

The Community Adjustment Investment Program (CAIP), a partnership between the U.S. Government and the North American Development Bank, was established as part of the North American Free Trade Agreement. The CAIP's mission is to help create and sustain jobs in U.S. communities experiencing temporary job dislocations attributable to changing trade patterns with Canada and Mexico.

FY 2000 Key Accomplishments and Performance Results

Key Accomplishments

The Community Adjustment and Investment Programs (CAIP) Grant Program was initiated in October 1999 to assist in preservation of jobs in adversely affected areas. Grants totaling $6 million were approved.

During FY 2000, the CDFI Fund awarded more than $125 million to banks, thrifts, and CDFIs. Amounts provided to CDFIs are matched by awardees with other funds of similar form and value. The number of certified CDFIs increased by 24% during the year, to 415. In addition, awardees under the Fund's Bank Enterprise Awards (BEA) program provided loans, investments and services to distressed communities totaling in excess of $1 billion.

Every year, OTS's Community Affairs Program defines a number of strategies to encourage and stimulate more thrift lending, investment and service in under-served markets. Those strategies are focused in three principal areas: outreach, training/education, and partnership building. In order to accomplish program strategies in these areas, the community affairs staff actively partners with the other banking agencies and other federal agencies, the Neighborhood Reinvestment Corporation and their affiliated organizations, government sponsored enterprises such as Fannie, Mae, Freddie Mac and the Federal Home Loan Banks, State Housing Finance Agencies, Indian Tribal Councils, local community based organizations, and others.

Performance Results

Following is a report on the performance targets in Treasury's FY 2000 Performance Plan related to this objective:

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
24	**17 (71%)**	4 (17%)	3 (12%)	7 (29%)

Departmental Offices Performance Goal: *Promote domestic financial institutions and markets growth and stability, and community development through the development and implementation of effective programs and policies*

Performance Measure: Domestic Financial Institutions and Markets Growth and Stability, and Community Development

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	Progress Reported	Qualitative Progress	See Below

Explanation of Measure: This measure captures progress made in establishing policies, guidance, and analysis relative to financial institutions, financial regulations, availability of credit, community development, financial crimes, Federal debt, capital markets, privatization and sale of Government assets, and other issued related to domestic finance.

Explanation of Performance: Treasury chaired a joint task force with HUD and issued a report on predatory lending, including recommendations for legislative action to fight predatory lending. Treasury continued to work with the Federal Reserve to push regulatory issues related to predatory lending and with Congress on legislative proposals. Also, Treasury's Office of Government-Sponsored Enterprise and Office of Community Development Policy worked with HUD on HUD's housing goal rules as related to Fannie Mae and Freddie Mac. The proposed rules were published and final rules are in process.

Community Development Financial Institutions Fund Performance Goal*: Increase participation in the Fund's CDFI programs to facilitate local economic growth*

Performance Measure: Number of New Organizations Receiving CDFI Awards

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	--	20	**22**

Explanation of Measure: This measure captures the change in the number of new awardees (for all CDFI programs) compared to the prior year.

Performance Measure: Number of CDFIs Receiving Financial or Technical Assistance from Treasury

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
51	112	125	135	**143**

Explanation of Measure: This measure captures the number of CDFIs receiving financial or technical assistance.

Performance Measure: Number of CDFIs Receiving Financial Assistance from Treasury (Includes Core And Intermediary Components)

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	42	60	63	**77**

Explanation of Measure: This measures the number of Core and Intermediary Component CDFIs selected to receive grants, deposits, credit union shares, equity, investments or loans to strengthen the financial capacity of CDFIs.

***Community Development Financial Institutions Fund Performance Goal**: Increase diversity of CDFI awardees*

Performance Measure: Number of States with a CDFI Awardee

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	45	47	**48**

Explanation of Measure: This measures the number of States, excluding D.C., Puerto Rico, and the Virgin Islands, in which the Fund has provided assistance to at least one CDFI. The Fund seeks to have at least one certified CDFI in every State in order to increase the geographic diversity of CDFIs receiving awards. Outreach sessions were held in geographic areas without certified CDFIs to encourage potential participation in the Fund's program.

***Community Development Financial Institutions Fund Performance Goal:** Increase private and non-Federal capital investments in CDFIs*

Performance Measure: Total Private and Non-Federal Investments in CDFI Awardees within One Year of Receiving Fund Assistance ($ in millions)

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	--	$55	**$77**

Explanation of Measure: CDFIs are required to obtain funds similar in value and form to awards made by the Fund. This measures the amount of matching funds obtained by CDFIs that received awards during the fiscal year.

***Community Development Financial Institutions Fund Performance Goal**: Increase the number of organizations engaged in community development finance that receive training or technical assistance*

Performance Measure: Number of Institutions that Receive Technical Assistance from Treasury

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	--	80	**87**

Explanation of Measure: The Fund seeks to increase the number of institutions that receive CDFI technical assistance. Through technical assistance, the Fund provides grants to existing or proposed CDFIs that have organizational capacity needs and demonstrate significant potential for generating community development impact. Includes 21 awardees receiving technical assistance grants under the Core Program.

***Community Development Financial Institutions Fund Performance Goal**: Increase direct investment by financial services organizations (FSOs) in distressed communities and to under-served populations.*

Performance Measure: Change in Community Development Investment by Bank Enterprise Award (BEA) Awardees from the Prior Year ($ in millions)

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	--	$700	**$1,100**

Explanation of Measure: This measures the amount of investment by BEA Awardees in those communities with the greatest need for banking services.

Note: The reliability o the data for this measure is questionable or of unknown accuracy. As a result, CDFI is holding discussions about the future of the program.

Performance Measure: Number of BEA Awardees that Provide Financial or Technical Assistance to CDFIs or Distressed Communities

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	89	95	85	**87**

Explanation of Measure: One of the objectives of the BEA Program is to provide incentives to those insured depository institutions that increase their investments in CDFIs. This helps to increase the ability of CDFIs to serve their intended markets.

Performance Measure: Number of First-Time BEA Program Applicants

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	--	30	**36**

Explanation of Measure: This measures the number of first-year BEA program applicants.

***Community Development Financial Institutions Fund Performance Goal**: Federal Government efforts to assist microenterprise are coordinated through interagency working groups*

Performance Measure: Establish and Manage an Interagency Work Group and Website

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	Established Workgroup	Complete	**Completed**

Explanation of Measure: A work group of Federal agencies having an interest in microenterprise to assist and raise awareness of the microenterprise industry was established in FY 1999, with a website developed during FY 2000.

***Community Development Financial Institutions Fund Performance Goal**: Increase participation in the Presidential Awards for Excellence in Microenterprise Development*

Performance Measure: Number of Applicants for Microenterprise Awards from the Previous Round

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	15	35	0

Explanation of Measure: This measure captures the Fund's goal to raise awareness of the microenterprise industry, and compares the number of applicants for each round.

Explanation of Shortfall: The solicitation for FY 2000 awards was postponed.

Office of the Comptroller of the Currency Performance Goal:
I. Continue to contribute to and influence the development in the bank customer information privacy arena
II. Monitor complaint trends and use Customer Assistance Group data to develop policy positions and continue to share data with banks and internal OCC audiences
III. Develop a proposal for a pilot program for using a consortium-owned bank, and develop recommendations for other delivery channels for banks, to serve inner city neighborhoods

Performance Measure: Complete the Proposal for Consortium-Owned Bank Pilot

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
--	--	--	Complete proposal	**Proposal Completed**

Explanation of Measure: Paper to be developed through cross-functional team and external stakeholders identifying how to set up consortium owned bank.

Performance Measure: Percentage of Time that Follow-up Actions are Identified and Implementation Begins within 60 Days of Each Access Meetings

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
--	--	100%	100%	**100%**

Explanation of Measure: Each division director in the Community Affairs department prepares a Community Affairs monthly report for the Deputy Comptroller for Community Affairs. The report lists outreach meetings, identifies follow up actions arising from the meetings, and documents timeliness of initiation of follow up actions.

Office of Thrift Supervision Performance Goal: *Ensure that OTS-regulated thrift institutions comply with consumer protection, fair lending, community reinvestment and other public policy laws and regulations*

Performance Measure: Percentage of Thrift Institutions that, Within 60 Days of Having Received an Unsatisfactory Compliance Rating, is Either Subject to a Formal or Informal Enforcement Action or as to which such Action Has Been Waived

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
--	--	100%	100%	**100%**

Explanation of Measure: Each OTS-regulated institution receives a compliance rating from 1 to 5 following its compliance examination and the ratings are entered into the Examination Data System. OTS uses this measure to ensure that every institution that receives a poor compliance rating receives special attention.

Office of Thrift Supervision Performance Goal: *Provide educational and technical assistance to industry representatives, the OTS examination staff and other relevant parties on community development issues, needs and opportunities; key players and programs; and investment authority or regulatory barriers*

Performance Measure: Percentage of Thrifts with Less than Satisfactory CRA Ratings to Which OTS Offers or Provides One-On-One Community Development-Related Outreach and Technical Assistance to Within 60 days of Completion of the Examination

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
--	--	100%	100%	**100%**

Explanation of Measure: In 1993, OTS established its Community Affairs Program to assist the thrift industry's efforts to help meet the credit and financial services needs of their communities. OTS uses this measure to ensure that all thrifts that receive an unsatisfactory CRA rating are given special attention to help them achieve a satisfactory rating.

Performance Measure: Percentage of Identified Community Development-Related Regulatory Barriers Addressed by OTS

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
--	--	73%	85%	57%

Explanation of Measure: Regulatory barriers include barriers pertaining to both investment authority and CRA. Interpretations of, changes to, and guidance about the subject regulations are an acceptable means for addressing the regulatory barriers. This measure demonstrates OTS's success in addressing the regulatory barriers which have been identified.

Explanation of Shortfall: OTS has determined that the original target of 85% for this measure is unrealistic because many of the barriers identified are not within OTS' sole jurisdiction. Three of the seven barriers that were not successfully resolved by year end 2000 were matters beyond OTS' immediate control. OTS is working with an interagency group on a CRA regulation review project. This project should conclude in 2002. A question regarding whether debt obligations issued by community development non-profit organizations are "corporate debt securities" was referred to the Federal Deposit Insurance Corporation for an interpretive opinion. A question regarding whether a low income housing tax credit limited partnership is a thrift affiliate is awaiting feedback from the OCC. OTS will continue to work with these groups to complete resolution.

Office of Thrift Supervision Performance Goal*: Promote and help facilitate partnerships between financial institutions, community organizations and others as a means of improving the availability of and access to credit and financial services*

Performance Measure: Percentage of Planned Outreach, Training, or Partnership-Building Events OTS Sponsored or Participated In

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
--	--	--	90%	**100%**

Explanation of Measure: Each year the Community Affairs staff establishes a program agenda and individual work plans for Washington and the regional offices that set forth program goals for the year. This measure indicates the extent to which the program goals were achieved.

Performance Measure: Percentage of Thrift Institutions that Participated in Community Affairs' Sponsored or Co-Sponsored Events

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
--	--	--	90%	**96.5%**

Explanation of Measure: Each year the Community Affairs staff establishes a program agenda and individual work plans for Washington and the regional offices that set forth program goals for the year. This measure indicates the extent to which the program goals were achieved.

Performance Measure: Percentage of Thrift Participants to Those Targeted

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000 Target	FY 2000 Performance
--	--	--	50%	45%

Explanation of Measure: Each year the Community Affairs staff establishes a program agenda and individual work plans for Washington and the regional offices that set forth program goals for the year. This measure indicates the extent to which the program goals were achieved.

Explanation of Shortfall: OTS had a 45% success rate for this measure because not as many thrifts attended the events scheduled as were targeted. In some instances the number of thrifts targeted was very aggressive. OTS's West Region co-hosted a CRA Conference and targeted approximately 148 thrifts (a very aggressive attendance record for any given event). Only 67 thrifts actually attended this event. The OTS regions that targeted a very aggressive number of thrifts skewed the results for the rest of the OTS Regions. OTS will continue to work with these groups to complete resolution.

Performance Measure: Number of New Partnerships Formed, Activities/Programs Commenced or Investments Made as a Result of OTS's Outreach, Training, or Partnership- Building Activities

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000 Target	CY 2000 Performance
--	--	26	26	**28**

Explanation of Measure: Each OTS regional office follows up periodically with the thrifts and others with whom it has worked directly (through outreach, training, partnership building and one-on-one assistance) to determine whether an investment was made, partnership was formed or activity commenced as a result of the office's work.

Performance Measure: Number of Speeches or Presentations Given by Senior Management on Community Development-Related Topics

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000 Target	CY 2000 Performance
--	--	25	25	23

Explanation of Measure: Each of OTS's six offices (5 Regions and Washington) track and report on the number of speeches given or community affairs related activities participated in by senior management that includes significant discussion of community development related topics.

Explanation of Shortfall: Senior management, other than OTS' Director, did not participate in as many community affairs events or community development related speaking engagements as anticipated. The Community Affairs staff will continue to provide opportunities for OTS senior managers to participate during 2001.

***Community Adjustment and Investment Program (CAIP) Performance Goal**: To provide financial resources to businesses for the creation of new private sector jobs in trade affected communities, leveraging private sector lending*

Performance Measure: Number of Private Sector Jobs Created or Retained in Trade-Affected Communities

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000 Target	FY 2000 Performance
--	--	--	Qualitative Progress	See Below

Explanation of Measure: This measures the number of private sector jobs to be created or retained as reported by financial assistance awardees. Annual targets are taken from applications, and actuals are taken from the reports of awardees. Data is captured from financial assistance applications.

Explanation of Performance: CAIP provides the financial resources for projects that create or retain jobs in trade affected communities. Three thousand jobs were estimated to be created or retained based on estimates from the borrowers and grantees in their applications for loans or grants under the program.

Performance Measure: Number of Private Sector Jobs Created Due to the Provision of Technical Assistance on a Project -Specific Basis

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000 Target	FY 2000 Performance
--	--	--	Qualitative Progress	See Below

Explanation of Measure: This measures the number of private sector jobs created or retained as reported by the technical assistance awardees. Annual targets are taken from applications, andactuals are taken from the reports of awardees. Data is captured from grant applications.

Explanation of Performance: As a result of provision of technical assistance, an estimated 1,100 jobs were created or retained based on estimates from the grantees in their applications.

Treasury Objective: Improve and Modernize the U.S. Financial System

Key Trends

Modernizing America's financial services industry to improve and enhance services to customers, and to increase efficiencies for financial services companies, has been an important policy objective for many years. Over time, the financial market and regulators had used a variety of innovations to try to undo the separation of services (and restrictions on offering their products) that Federal law had established well over 65 years ago. These divisions and distinctions resulted in substantial competition, but competition that was largely inefficient and not in the public interest. The Gramm-Bliley-Leach Act, enacted in November 1999, made several key improvements, allowing the affiliation of financially related firms (i.e., banks, securities firms, and insurance companies).

Treasury Programs

Treasury's Office of Domestic Finance provides analyses, recommendations, and policy advice in the areas of domestic finance, banking, fiscal policy and operations, and other related economic matters, including development of policies and guidance in the area of financial institutions.

The Office of the Comptroller of the Currency (OCC*)* is the chartering authority and primary Federal regulator of nationally chartered banks. OCC oversees the execution of laws relating to national banks, promulgates rules and regulations governing the operations of national banks, and examines and supervises national banks.

OTS's primary statutory authority is the Home Owner's Loan Act (HOLA). Under HOLA, OTS is responsible for chartering, examining, supervising, and regulating Federal savings associations and Federal savings banks. HOLA also authorizes OTS to examine, supervise, and regulate state-chartered savings associations belonging to the Savings Association Insurance Fund and provide for the registration, examination, and regulation of savings association affiliates and holding companies.

FY 2000 Key Accomplishments and Performance Results

Key Accomplishments

- Achieved enactment of historic legislation to modernize the financial services industry, the Gramm-Leach-Bliley Act of 1999.

- Significant new privacy protections were achieved as part of Financial Modernization legislation and other initiatives to highlight privacy issues were pursued.

- Treasury continued to play a leadership role in protecting critical infrastructure in the banking and finance sector by encouraging the private financial sector to organize itself to address the threat of cyber-terrorism. Working with Treasury, the financial services industry established a computer defense center to share information on information center attacks and appropriate responses. Successful conferences to draw attention to issues were held. Continuing efforts and support for private sector efforts are ongoing.

- OCC and OTS, acting with the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the National Credit Union Administration, proposed rules to implement the Fair Credit Reporting Act's (FCRA) notice and opt-out provisions. The rules explain how to comply with corporate financial institution affiliate sharing provisions and apply to any institution that wants to share consumer information other than transaction or experience information, with its affiliates, but does not wish to be considered a consumer reporting agency for legal purposes.

- OTS implemented a Customer Service Plan for Examinations in response to the fundamental objective of the National Partnership for Reinventing Government to create a customer-focused government. One outcome of this has been in improving the value of examinations to thrift institution directors and management.

Performance Results

Following is a report on the performance targets in Treasury's FY 2000 Performance Plan related to this objective:

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
32	**25 (78%)**	5 (16%)	2 (6%)	16 (50%)

Departmental Offices Performance Goal: *Promote domestic financial institutions and markets growth and stability, and community development through the development and implementation of effective programs and policies.*

Performance Measure: Domestic Financial Institutions' and Markets' Growth and Stability, and Community Development

CY 1997 Performance	CY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	**Performance**
--	--	Progress Reported	Qualitative Progress	See Below

Explanation of Measure: This measure captures progress made in establishing policies, guidance, and analysis relative to financial institutions, financial regulations, availability of credit, community development, financial crimes, Federal debt, capital markets, privatization and sale of Government assets, and other issued related to domestic finance.

Note: This objective is also reported under the objective "Help Bring Residents of Distressed Communities in to the Economic Mainstream by Providing Fair and Efficient Delivery of Credit and Other Financial Services."

Explanation of Performance: Significant new privacy protections were achieved as part of Financial Modernization legislation and major initiatives were developed to further highlight privacy issues linked to financial aspects of economy. Working with Treasury, the financial services industry established a computer defense center to share information on information center attacks and appropriate responses. To coordinate the efforts of regulators -- i.e., the Fed, banking agencies, SEC and CFTC -- in this area the Center for Financial Services Sector was successfully established. Successful conferences to draw attention to issues were held. Continuing efforts and support for private sector efforts are ongoing.

Office of the Comptroller of the Currency Performance Goal: *Achieve efficient and effective risk-based supervision and compliance with the FDICIA exam schedule*

Performance Measure: Percentage of FDICIA Examination Exceptions After 6/30/00 Limited to Conversions, Mergers, System Conversions, Etc.

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
--	92%	92%	100%	98%

Explanation of Measure: The number of examinations past due compared to the number of examinations due (except those approved exceptions related to conversions, mergers, system conversions, etc.).

Explanation of Shortfall: There are multiple sources of "friction" in any complex process that involves several thousand people. For example, scheduling issues, employee turnover, matching expertise with specialized examining needs, budget constraints. Owing to these natural elements of process friction, 95% is a more realistic ongoing target. Examination guidelines that allowed examiners to delay community bank safety and soundness exams for up to 90 days in low risk banks were in effect until 6/30/00. During 2000, 98% of exams were conducted within timeframes of examination guidelines.

Performance Measure: Percentage of Critical Work Completed on Large-Bank, Mid-Size Bank, and Federal Branch/Agency Strategies

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
--	--	100%	100%	**100%**

Explanation of Measure: The Bank Supervision Operations Management Team has defined critical work. The process for determining critical work in the context of the Bank Supervision Operations department was defined in 1999: "High-priority examinations, quarterly reviews, and large bank strategies are completed on a timely basis." This was included in a memo addressing the Bank Supervision Operations department resource allocation process.

Performance Measure: Percentage of Enforcement Actions Against Banks that Meet Policy Time Frames

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
--	--	82%	90%	72%

Explanation of Measure: The number of enforcement actions that are processed in accordance with policy time frames. The timeliness is calculated as the time it takes from the date the supervisory office receives the recommendation for action to the date the OCC presents the action to the banks as compared to policy time frames.

Explanation of Shortfall: The current policy time frames measure action dates that are not within OCC control. For example, the current timeframes say that enforcement actions will be completed within 45 days of the date they are initiated. OCC controls when the action is presented to the bank for signature, but OCC does not control when the bank signs the action (completion of the action). OCC is currently rewriting the guidelines so that they will apply to actions within the control of the OCC.

Performance Measure: Percentage of 4- and 5-Rated Banks with Enforcement Actions (Formal and Informal) in Place or Pending

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
--	--	92%	100%	**100%**

Explanation of Measure: A quarter end listing will be generated of all 4 and 5 rated banks, including any outstanding enforcement actions. Those 4 and 5 rated banks without an outstanding enforcement action will be checked to see if they have an enforcement action pending. Any 4 and 5 rated banks without outstanding or pending enforcement actions will be reported as an exception. The reports will be generated from the OCC's NBSVDS System based on data input from SMS and EV.

Performance Measure: Percentage of Quarterly Reviews Completed for Y2K

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
--	100%	100%	100%	**100%**

Explanation of Measure: 100% of required reviews completed and any supervisory action initiated with banks as required.

Office of the Comptroller of the Currency Performance Goal: *Consider what the supervisory process of the 21st century should be, taking into account advances in technology and trends in the banking industry and the provision of financial services*

Performance Measure: Percentage of Examination Questionnaires Submitted by Bankers that Are Analyzed Within 90 days of the Close of the Evaluation Period and Disseminated Throughout the Agency

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
--	--	100%	100%	**100%**

Explanation of Measure: Perform analyses of examination questionnaires received from bank management and disseminate the analyses within 90 days of the close of the evaluation period.

Performance Measure: Percentage of Supervision 2000 Project Plan Completed

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
--	--	--	100%	**100%**

Explanation of Measure: There are two main initiatives under the project plan: 1) integrate technology into the examination process (i.e. obtaining information in a digital form) and 2) implementing Examiner View (an automated examination database).

Office of the Comptroller of the Currency Performance Goal: *Implement an effective process for analyzing trends, making predictive judgments, and fashioning supervisory responses that take trends into account*

Performance Measure: Perform Quality Assurance Reviews of Banks Examined After National Bank Examiners (NBEs) Receive Structurally Weak Loan Training

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
--	--	--	Perform reviews	**Reviews Performed**

Explanation of Measure: This measure supports the Bank Supervision Operations (BSOP) Priority for credit: "Rebuild and strengthen overall credit skills and expertise. Ensure quality evaluation of risk in the loan portfolio." One of the tasks identified in BSOP's project plan for structurally weak loan training is the performance of a Quality Assurance (QA) review of banks examined after local NBEs receive the training. The QA team will draw a sample of one bank per field office for exams started after June 30/2000. BSOP mandated that the training be delivered by June 30, 2000. The review will answer the following three areas: 1) Were structurally weak loans properly identified? 2) Were they properly recorded on the database and structurally weak loan page of the Report of Examination? 3) Were examination conclusions (report comments, ratings) consistent with the level of structurally weak loans identified?

Performance Measure: Provide Shared Credit Training to Examiners Per Schedule

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
--	--	--	Provide training	**Training provided**

Explanation of Measure: This measure supports the OCC strategy "Rebuild and strengthen overall credit skills and expertise. Ensure quality evaluation of risk in the loan portfolio." Although this measure is not in BSOP's priority or core measures, it is an initiative relating to the shared credit initiative in large banks.

Performance Measure: Produce Annual Underwriting Survey Analysis to Identify Asset Quality Deterioration

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000 Target	CY 2000 Performance
--	--	--	100%	**100%**

Explanation of Measure: This measure supports the OCC strategy to implement an effective early warning system for trend analysis. The survey identifies trends in credit risk within the national banking system. The questionnaire-based survey address changes in lending standards since the previous survey for the most common types of commercial and retail credit offered by national banks. The survey is conducted through Examiners-in-Charge of approximately 70 of the largest OCC supervised banks, covering 90% of the loans in the national banking system. The information obtained through the survey is used to develop revised risk-based policy guidance and procedures designed to focus examiners' and bankers' attention on leading indicators of inherent levels of credit risk.

Performance Measure: Pilot the "Early Warning System for Bank Failure Potential" (Project Canary) by January 1, 2000

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000 Target	CY 2000 Performance
--	--	--	Complete Pilot	**Pilot Completed**

Explanation of Measure: Demonstrate the Project Canary early warning system, including Canary database preparation, benchmarks screening process for highlighting banks with increased risk appetite, and early warning reports.

Performance Measure: Make Web-Based Early Warning Reports for Liquidity, Interest Rate Risk, and Credit Available to Users by March 31, 2000

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000 Target	CY 2000 Performance
--	--	--	Complete reports and make them available via the web by 3/31/00	**Web-based reports for these functions completed and available by 3/31/00**

Explanation of Measure: Implement web-based access to Project Canary early warning tools on the OCC Intranet for Washington and District office personnel.

***Office of the Comptroller of the Currency Performance Goal**:*
I. Implement the Gramm-Leach-Bliley Act to effectively support safety and soundness and competitiveness of national banks
II. Address the variety of issues related to Internet banking, with a view toward establishing a lead role in this area for national banks
III. Develop an effective program for identifying, quantifying, and sharing information about the benefits of a national bank charter

Performance Measure: Percentage of On-Time Performance for Non-Protested Applications

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
--	95%	95%	95%	**96%**

Explanation of Measure: The number of non-protested applications for which on-time performance is maintained.

Performance Measure: Percentage of Instances Where Supervisory Concerns are Addressed Before New Initiatives, Products, or Powers Are Approved

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
--	--	100%	100%	99%

Explanation of Measure: Under 1999 Law Department Coordination Guidelines, OCC legal staff responsible for drafting decisions must contact specific OCC staff in OCC's Bank Supervision department in each case.

Explanation of Shortfall: In the sample of 72 documents used for this measure, there was one instance where bank supervision was not listed as a reviewer on a legal interpretation due to the fact that no specific bank was involved.

Performance Measure: Participant Satisfaction with Outreach Programs

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
--	--	Tracking system established	Report on participant satisfaction	Data Not Available

Explanation of Measure: A tracking system was developed in the fourth quarter of 1999 to capture scheduled District outreach activities with bankers. In March 2000, a feedback form was activated for District management to report on the results of the outreach activity.

Explanation of Shortfall: This is a new reporting system. The report design was completed in FY 2000, but the system was not implemented during that year. The reporting function will be operational during FY 2001. An initial report system will be available in during FY 2001.

Performance Measure: Percentage of Project Plan for Community Bank Initiatives Finalized, Milestones Met, and Recommendations Implemented

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000 Target	CY 2000 Performance
--	--	--	100%	**100%**

Explanation of Measure: Project plan for community bank initiatives finalized, 100% of milestones met, recommendations implemented. Continue to develop and implement initiatives targeted to community banks.

Office of the Comptroller of the Currency Performance Goal:

I. Continue to contribute to and influence the development in the bank customer information privacy arena

II. Monitor complaint trends and use Customer Assistance Group data to develop policy positions and continue to share data with banks and internal OCC audiences

III. Develop a proposal for a pilot program for using a consortium-owned bank, and develop recommendations for other delivery channels for banks, to serve inner city neighborhoods

Performance Measure: Average Number of Days to Process Consumer Complaints

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000 Target	CY 2000 Performance
--	40	45	45	51

Explanation of Measure: The average complaint processing days are determined by averaging the number of days from receipt of a complaint to resolution of that complaint for all of the complaints resolved during a calendar quarter. This measure is included also included in the previous objective.

Explanation of Shortfall: Demand exceeded expectations, and therefore, targets were missed because OCC had more demand than our supply of resources to get it all done. OCC will reevaluate the target and will increase the average processing target to 50 days.

Performance Measure: Percentage of Requests for Consumer Complaint Information Provided Within 30 Days of Request, or by the Requested Date if Longer Than 30 Days, With Copies of the Information to the Bank and Appropriate Bank Supervision Operations Office

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
--	--	95%	95%	90%

Explanation of Measure: Each request for information on the complaint volume of a bank is required to be in writing. When a request is received, it is logged into a tracking system that is maintained on the group drive. When the report is mailed to the supervisory office and the bank, one of the analyst electronically notifies the examiner that the report is being mailed. The log is updated with that date. The log calculates the number of days between the request and the delivery of the report.

Explanation of Shortfall: Demand exceeded expectations, and therefore, targets were missed because OCC had more demand than our supply of resources to get it all done.

Performance Measure: Publish Final Privacy Regulations As Required by New Legislation

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
--	--	--	Complete rule	**Rulemaking Completed**

Explanation of Measure: Privacy regulations are published in final form.

Office of Thrift Supervision Performance Goal: *Conduct safety and soundness, compliance, holding company, trust and information systems examinations of all thrift institutions scheduled to receive such examinations*

Performance Measure: Percentage of Thrifts That Received Each Type of Examination as Scheduled:

(1) Safety and Soundness
(2) Compliance (including CRA)
(3) Holding Company
(4) Information Systems
(5) Trust

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
(1) 96.2% (2) 98.3% (3) 83.2% (4) 77.7% (5) 63.3%	(1) 96.6% (2) 98.3% (3) 86.7% (4) Note (a) (5) 87.5%	(1) 97.9% (2) 99.3% (3) 87.8% (4) Note (a) (5) 82.8%	(1) 95% (2) 95% (3) 90% (4) 85% (5) 80%	**98.3%** **98.6%** **91.1%** **102%** **91.3%**

Explanation of Measure: Through the examination process, OTS assesses the financial condition and risk profile of thrift institutions and identifies violations of law and regulation and potential financial and economic problems. The OTS examination process assists in preventing the development or continuation of unsafe operating practices and effects timely resolution of identified problems or weaknesses, consumer protection, and Community Reinvestment Act (CRA) weaknesses.

OTS conducts risk-focused examinations of thrift institutions in four major disciplines: Safety and Soundness and Holding Company, Compliance and CRA, Information Technology, and Trust Activities. Each institution undergoes examination in each discipline, as applicable, by seasoned, highly trained examiners specializing in the discipline. OTS maintains written procedure manuals and work programs in each discipline to guide the conduct of examinations, and to ensure compliance with statutory requirements and agency policy. OTS management tracks the timeliness of examinations, and any examination or institution that falls outside of the specified guidelines for the examination time frame or duration is identified. When necessary, management will determine why examination standards are not being met and will initiate steps to improve OTS's performance.

Note (a): During 1999, available OTS Information Systems (IS) examination resources were diverted to Y2K issues, including quarterly reviews of large service providers, and thrift institutions with complex information technology environments. Staff were redeployed in 2000 to risk-focused IS examinations of service providers, software vendors, and thrifts.

The rate for Information Systems is 102% and resulted from more examinations conducted than were scheduled.

Office of Thrift Supervision Performance Goal: *Ensure that OTS-regulated thrift institutions operate in a safe and sound manner or that OTS has taken appropriate supervisory or enforcement action*

Performance Measure: Percentage of Thrift Institutions That, Within 60 days of Having Received an Unsatisfactory Safety and Soundness Rating, Is Either Subject to a Formal or Informal Enforcement Action or As to Which Such Action Has Been Waived

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
--	--	86.7%	100%	**100%**

Explanation of Measure: OTS employs its enforcement powers to advance the agency's supervisory mission of maintaining a safe and sound thrift industry. Most new enforcement cases focus on correcting unsafe and unsound practices in thrifts before they result in the institution becoming undercapitalized. This measure ensures that institutions with low safety and soundness ratings receive special attention.

Office of Thrift Supervision Performance Goal*: Improve the consistency and quality of examinations*

Performance Measure: Percentage of Examination Reports Reviewed That Are Deemed Generally Consistent with OTS Examination Policies and Procedures

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
100%	99%	100%	99%	**100%**

Explanation of Measure: OTS believes that examination reports should effectively communicate safety and soundness concerns to boards of directors, and that our supervisory efforts should be responsive to thrift management concerns. OTS's Quality Assurance (QA) Program solicits input from thrift managers on examination issues and the QA reviews a statistical sample of examination reports for clarity and consistency with national examination policies; the examination handbooks are updated continuously to reflect new statutes, policies, and new activities being undertaken by the thrift industry.

Office of Thrift Supervision Performance Goal: *Improve the value of examinations to thrift institution directors and management*

Performance Measure: Percentage of Thrifts Rating the Value of the Examination Process as Satisfactory or Better

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
98%	99%	98%	95%	**99%**

Explanation of Measure: Explanation of Measure: The Customer Service Plan for Examinations was the Agency's first response to the National Performance Review's fundamental objective to create a customer-focused government. While the concept of customer service directly conflicted with the perceived mission of a regulatory agency, after speaking directly with hundreds of industry leaders the challenge was evident and the advantages numerous. As a result, OTS's first Customer Service Plan was adopted in September 1994. The plan commits OTS to 13 specific performance standards that emphasize communication and cover all phases of the supervisory process, including pre-examination, on-site examination and post examination. OTS made a strong commitment to be measured by these performance standards and the results have been dramatically successful.

Office of Thrift Supervision Performance Goal: *Ensure that 100% of OTS-regulated thrift institutions are at least "adequately capitalized" or are under a Prompt Corrective Action (PCA) Directive or are recapitalized to the "adequately capitalized" level or operating within an approved Capital Plan within 150 days of becoming undercapitalized*

Performance Measure: The Number of OTS-Regulated Thrift Institutions That Are at Least "Adequately Capitalized" or Are Under a PCA Directive or Are Recapitalized to at Least the "Adequately Capitalized" Level Within 150 Days of Becoming Undercapitalized, or That Have Received Prior Approval by the Deputy Director for Exceeding the 150-Day Timeframe for Issuance of the PCA Directive, Divided by the Total Number of OTS-Regulated Thrift Institutions, Minus Those That Are Operating Under an Approved Capital Plan or That Have Been Undercapitalized for Less Than 150 Days

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
--	--	99.9%	100%	**100%**

Explanation of Measure: This measure addresses both of the objectives of PCA: 1) to recapitalize undercapitalized thrifts at the least cost to the deposit insurance fund; and 2) to do it "promptly." The statute requires that institutions submit capital restoration plans within 45 days of becoming "undercapitalized," and for the agency to act on the capital plan generally not later than 60 days after submission. The OTS policy is to formally act on capital plans through the issuance of a PCA directive. The measurement adopted allows 150 days from the thrift becoming "undercapitalized." to issue the PCA Directive. This time frame includes notification, capital plan submission, review, decision on the capital plan, and issuance of the PCA Directive. Alternatively, OTS can also comply with the measurement if the institution does not fail and is recapitalized, even if the 150-day time frame is exceeded.

Office of Thrift Supervision Performance Goal: *Reduce regulatory burden whenever possible, consistent with effective supervision*

Performance Measure: Percentage of Times That Application Processing Timeframes Are Met

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
99%	98.9%	98.3%	98%	**98%**

Explanation of Measure: OTS regulations require thrift institutions to file an application before engaging in certain activities. Most applications are reviewed and acted upon at OTS's five Regional Offices. Certain complex transactions and those containing issues of policy or law are reviewed and acted upon in Washington. The mission of OTS's applications program is to ensure that applications are processed within established timeframes and that application decisions are consistent with current OTS regulations and policies. All applications, unless eligible for expedited treatment, should be processed and a decision reached within 60 days from the date they are deemed complete, unless they raise issues of law or policy. Expedited applications should be processed and a decision reached within 30 days from the date they are deemed complete.

Performance Measure: Percentage of Planned Regulatory Reinvention Projects Completed in Question and Answer Plain Language Format

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
--	80%	100%	80%	**100%**

Explanation of Measure: One of OTS's continuing initiatives is to reduce the regulatory burden on thrifts and to rewrite our regulations in plain language question and answer format. This format makes our regulations easier to understand and enables savings institutions to find the information they need more quickly.

Office of Thrift Supervision Performance Goal*: Develop, distribute and monitor adherence to service plans for all major agency functions*

Performance Measure: Percentage of Service Plans That Met Their Standards

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
100%	83.3%	80%	80%	**100%**

Explanation of Measure: On September 11, 1993, President Clinton issued an Executive Order entitled "Setting Customer Service Standards." The purpose of the Order was to facilitate the establishment and implementation of customer service standards within the government. The order requires agencies to survey their customers and understand their needs and expectations. Agencies must then set forth and publish standards that address needs.

OTS has developed service plans for the Examination Process, Congressional Correspondence, Interpretive Opinions, Applications Processing and Consumer Assistance. Other service plans will be created as needed.

Treasury Objective: Promote the Transparency, Integrity and Efficiency of the Nation's Financial Markets

Key Trends

Treasury is committed to making sure that the nation's financial markets remain the most liquid and efficient in the world. In November 1999, the President's Working Group prepared a report on over-the-counter (OTC) derivatives markets and the Commodity Exchange Act (CEA). Despite strong growth and development, much of the OTC derivatives markets in the United States existed in an environment of legal uncertainty due to ambiguities in the CEA. There was a real concern that this vast institutional market would migrate overseas unless the regulatory structure was clarified. The Working Group's report offered a number of specific recommendations designed to establish legal certainty for the OTC derivatives market. These recommendations formed the basis of legislation that was ultimately passed by Congress in 2000.

Treasury Programs

The President's Working Group on Financial Markets is chaired by the Secretary of the Treasury and includes the chairmen of the Securities and Exchange Commission (SEC), the Commodity Futures Trading Commission (CFTC), and the Federal Reserve Board. At both the principals' level and the staff level, the Working Group provides a forum for the discussion and examination of a wide range of subjects of importance to the financial markets. As the need arises, the Working Group may also draft legislation or prepare reports on specific market issues. Separately, Treasury works directly with Congress and the private sector to promote initiatives that will increase the integrity and efficiency of the financial markets.

Two Treasury offices develop and implement policies to promote the transparency, integrity, and efficiency of the nation's financial markets. The Office of the Under Secretary for Domestic Finance, among other things, assists in drafting, clarifying and improving legislation that affects financial markets and market participants, and works with other government agencies, Congress, and the private sector in the course of developing Treasury policy on financial markets issues. In addition, Domestic Finance is responsible for the development of Treasury policy with respect to the Government Securities Act and regulations thereunder. The Office of the Fiscal Assistant Secretary administers the uniform offering circular for marketable Treasury securities auctions and the buyback regulations.

FY 2000 Key Accomplishments

- The President's Working Group on Financial Markets issued a report to Congress on the modernization of OTC derivatives regulations. Many of the recommendations in this report were included in legislation that has since become law, namely the Commodity Futures Modernization Act of 2000 (CFMA).

- A key element of the CFMA was an agreement between SEC and CFTC on single stock futures. Treasury played a significant role in brokering this agreement.

Treasury Objective: Apply Sound Governmental Financial Policy on All Relevant Governmental Issues

Key Trends

The number of Federal agency and legislative proposals involving Federal credit policies has increased considerably in recent years. The Federal Financing Bank, a government corporation under the general supervision of the Secretary of the Treasury, continues to play a crucial role in Federal financing. The majority of the most recent proposals have involved additional sources of Federal credit assistance.

Treasury Programs

Treasury's Office of Domestic Finance formulates principles and standards for Federal lending, investing, and borrowing policies, with particular emphasis on policies governing Federal credit programs. Treasury has an on-going commitment to ensure that Federal lending, investing, and borrowing activities and legislation are consistent with long-standing Treasury policy. The consistent application of Treasury policy in these areas allows the Government to achieve program objectives in the most cost-efficient manner, while minimizing the adverse effects on financial markets and the economy.

Treasury works with the Office of Management and Budget (OMB), other Federal agencies, and congressional staffs to achieve this objective. Treasury provides financial and economic analyses of government financial policy initiatives and legislative proposals involving Government lending, investment, and borrowing. It also partners with the Chief Financial Officers Council, the Federal Credit Policy Working Group, and other appropriate organizations to identify and articulate government-wide financial policy issues.

FY 2000 Performance Results

Following is a report on the performance target in Treasury's FY 2000 Performance Plan related to this objective:

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
1	**0**	0	1 (100%)	0

Departmental Offices Performance Goal: *Promote economic efficiency and domestic and global economic growth and stability through the development of sound and effective economic policies*

Performance Measure: Development of Sound and Effective Economic Policies

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	**Performance**
--	--	--	Qualitative Progress	See Below

Explanation of Measure: This measure captures Treasury's efforts and progress made in establishing useful and effective policies and analysis related to economic and budget issues.

Explanation of Performance: During FY 2000, Treasury worked with OMB to revise, finalize and publish OMB Circular A-129, which governs federal credit policies and non-tax receivables. During the year, Treasury also provided guidance and direction on a wide range of financial policy initiatives, including the creation of government corporations and government-sponsored enterprises, trust funds, privatization issues, Federal Financing Bank issues, U.S. Postal Service issues, Treasury loans to the Presidio Trust, D.C. Pension actuarial issues, and Foreign Service retirement issues.

Treasury Objective: Protect the Public and Prevent Consumer Deception in Specified Regulated Commodities

Key Trends

One of the missions of the Bureau of Alcohol, Tobacco and Firearms (ATF) is to protect the public by ensuring that the alcohol, tobacco, firearms and explosives industries meet safety and product-identity standards and by keeping ineligible persons from entering these industries.

In the explosives arena, one indicator of success is the minimal number of accidental explosions related to storage. There have been only three storage-related accidental explosions since 1996, resulting in one death and three injured.

During the period from FY 1997 to FY 2000, the number of safety violations per hundred inspections in the explosives industry increased from 8 to 13. The increase may be attributable to management's emphasis on and improvements to ATF's inspection programs. These improvements include the creation of a standardized inspection workplan and the introduction of the Advanced Explosives Class, which trains inspectors on the latest explosives inspection techniques. ATF will continue to work with industry, regulatory agencies, and others to identify and correct violations in the future.

Treasury Programs

In order to protect the public and prevent consumer deception, ATF has a number of programs designed to assure the integrity of the products, people and companies in the marketplace, encourage compliance with law and regulations through education, inspection and investigation, and inform the public when problems arise.

ATF regulates distilleries, wineries, breweries, importers and wholesalers in the alcohol industry. ATF also regulates tobacco manufactures and importers. Prior to becoming engaged in business, ATF conducts an inspection to ensure qualification requirements are met including personnel and financial investigations to ascertain whether the applicant is likely to maintain operations in compliance with laws and regulations. In addition, ATF has a number of directed inspection programs to ensure collection of taxes rightfully due and the integrity of beverage alcohol products and their market place. Through these programs ATF conducts tax compliance inspections and investigations into allegations of label fraud, misleading advertising claims, product adulteration, illegal trade practices, diversion, and smuggling. ATF reviews all alcohol beverage label applications to ensure labels do not contain misleading information and adhere to regulatory mandates. Alcohol and tobacco products are routinely secured and sent to ATF laboratories for analysis.

In addition, ATF works to educate Federal firearms licensees to promote proper business practices and to prevent the diversion of firearms to violent criminals. This education process is conducted through seminars and through meetings with licensees during the inspections process. ATF's inspectors further promote public safety by focusing on Federal firearms licensees who have certain firearms tracking indicators associated with their business.

ATF also licenses and inspects explosives dealers. ATF inspects licenses to ensure that explosives transactions are properly recorded and that explosives are secure from theft and are located so as not to present a threat to the general public. ATF expects the number of unsafe conditions in the explosives industry to decrease as the industry becomes better informed and more compliant through ATF's focused programs. ATF anticipates that repeat violations will decline when the same industry members are inspected and informed of the legal requirements. When there is a history of repeat violations, this can be interpreted as willful and administrative procedures or criminal sanctions are available to address this problem. ATF also expects a public safety benefit from a focused inspection effort that uses trace and other indicators to identify firearms dealers associated with crime guns.

FY 2000 Key Accomplishments and Performance Results

Key Accomplishment

In FY 2000, the ATF laboratories analyzed approximately 3,000 alcohol beverages and tobacco products, and reviewed/analyzed over 12,500 other alcohol-based products and non-beverage products.

Performance Results

Following is a report on the performance targets in Treasury's FY 2000 Performance Plan related to this objective:

Performance Summary				
Total Measures	Targets Met	Targets Not Met	Other	Maximum or Improved Performance
2	**2 (100%)**	0	0	1 (50%)

Bureau of Alcohol, Tobacco and Firearms Performance Goal: *Ensure regulated industries meet their eligibility, product and safety standards; maintain systems that are effective and efficient; and educate the public on regulated commodities*

Performance Measure: Number of Corrections Made to Unsafe Discovered During ATF Inspections

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
677	1,071	923	825	**1,119**

Explanation of Measure: This measure tracks the number of corrections made to unsafe conditions reported to ATF from outside sources and found through its inspection activities.

Performance Measure: Number of Industry Seminars Held on ATF-Regulated Commodities

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	227	229	175	**175**

Explanation of Measure: This measure shows the number of seminars conducted for permit holders in the alcohol, tobacco, firearms and explosives industries. These seminars are attended by state and local law enforcement officials and those on alcohol are conducted jointly with state alcohol beverage control agencies. These seminars provide current information on the laws and regulations pertaining to these commodities, any changes in ATF policies, and an opportunity to discuss industry issues. The seminars also allow ATF to form partnerships with these regulated industries to help prevent accidents in the firearms and explosives industries.

GOAL: MAINTAIN U.S. LEADERSHIP ON GLOBAL ECONOMIC ISSUES

Treasury is a key Cabinet agency charged with developing U.S. policies and guidance in matters of international monetary affairs, trade and investment policy, and international debt strategy. The Secretary serves as U.S. governor of International Financial Institutions, such as the International Monetary Fund (IMF) and the World Bank. Treasury's objectives and efforts are geared to achieving U.S. International Strategic Goals to: increase global economic growth and financial stability, promote broad-based growth in developing and transitional nations, open markets to increase trade and expand U.S. exports, minimize the impact of international financial crime on the U.S., secure a sustainable global environment, and reduce the spread of infectious diseases.

Key Partners in Achieving this Goal Include: The Department of State, the U.S. Trade Representative, Agency for International Development and other federal agencies who coordinate U.S. international affairs efforts. International Financial Institutions, such as the International Monetary Fund and the Multilateral Development Banks (the World Bank and regional development banks) help Treasury accomplish its global economic objectives. Leaders of the "Group of Seven" (G-7) industrialized nations (Canada, France, Germany, Italy, Japan, the U.K. and the U.S.) work together to create a more secure, prosperous and democratic world though mutual trust, cooperation and assistance.

Benefits to the American Public: The U.S. has benefited from exceptional economic performance in recent years, but U.S. expansion depends on balanced and sustainable world economic growth. In the last decade, we have seen the emergence of a global economy that has profound implications for the U.S. and the world. Globalization can bring far-reaching benefits, but also poses significant challenges. U.S. economic prosperity is increasingly linked to international investment, trade and capital flows. Globalization has been accompanied by a rapid increase in the volume of financial transactions, types of financial instruments, and the number of global players, all of which have brought increased vulnerabilities and risks to financial systems. In this interdependent world, one nation's financial crisis can become a global economic issue that affects the U.S. economy and thus every American.

A truly global economy will offer Americans and people of all nations the opportunity to share in the benefits of globalization. Global economic growth can reduce poverty, bring regional stability, and advance democracy and the rule of law. A major challenge, however, is successful economic integration between industrial countries and less technologically advanced "developing" countries and "transitional" countries moving from government-controlled to market-based economies.

FY 2000 Highlights

- Treasury was influential in obtaining international cooperation to relieve the debt of many heavily indebted poor countries, particularly in Africa. The unmanageable debt burdens of these poor countries often prevent them from making investments to reduce poverty and improve education and health.

- The U.S. and its G-7 partners launched new initiatives to reform the IMF and Multilateral Development Banks (MDBs) and to redefine core thinking about development and assistance. As a result, the IMF instituted key reform measures.

- Treasury helped establish an international Financial Stability Forum (FSF) in 1999 to promote global financial stability through cooperation and information exchange. In 2000, three FSF working groups helped strengthen the international financial architecture with their reports recommending improvements in risk management, disclosure practices among financial institutions, and oversight of creditor institutions.

- An important Treasury accomplishment was helping secure Congressional approval for Permanent Normal Trade Relations with China, thus giving impetus to China's efforts to become a member of the World Trade Organization (WTO). This is expected to happen in 2001 and to result in lowered trade barriers between China, the U.S. and other WTO members. Treasury also helped secure passage of the Africa Growth and Opportunity Act of 2000, which should help expand Africa's trade and participation in the global economy.

- Treasury took the lead in integrating various agencies and organizations' efforts to curb international money laundering, tax evasion, corruption, and other financial crimes that could undermine the credibility of the global financial system. The G-7 nations agreed that measures could be imposed on countries identified as uncooperative in dealing with these problems.

- Treasury analyzed and monitored the weak exchange rate performance of the euro, the new European currency. In September 2000, in view of the euro's depreciation and the potential implications for the world economy, Treasury and the Federal Reserve participated in coordinated intervention initiated by the European Central Bank to purchase euros. Initially, the euro's depreciation continued, but the euro subsequently stabilized.

Examples of indicators used to measure performance for this goal are: the rate of growth in Gross Domestic Product in developing and transitional countries as well as countries that are major U.S. trading partners, the level of U.S. exports of goods and services, and the level of U.S. direct investment abroad.

It should be noted that it is difficult to attribute successful performance in foreign affairs to a specific agency because these efforts are coordinated by several U.S. agencies.

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
25	**15 (60%)**	2 (8%)	8 (32%)	14 (56%)

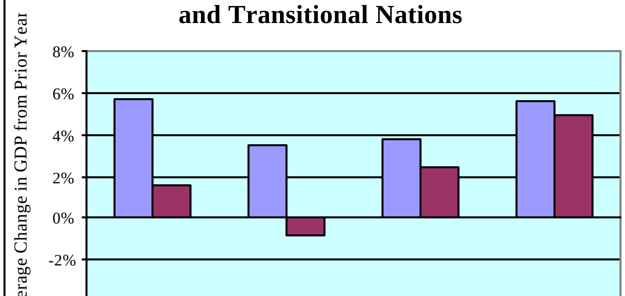
Treasury Objective: Promote Economic Growth and Sound Policies in Developing and Transitional Economies

Key Trends

A truly global economy will offer people of all nations the opportunity to participate in the benefits of globalization. Ultimately, a global economy that fails to benefit large parts of the world will fail every one of us. The framing challenge of economic globalization is successful integration between industrial and developing countries. Developing countries are less technologically advanced than industrialized economies, generally have low per capita incomes, and are principally in Africa, Asia, and Latin America. The term "developing" economy distinguishes these countries from "transitional" economies, which are countries moving from a government-controlled economy to a market-based economy, principally in Central and Eastern Europe, the former Union of Soviet Socialist Republics, and Central Asia.

Economic growth and sound economic policies in developing and transitional economies can reduce poverty, improve regional stability, and advance democracy and the rule of law. A key indicator of progress in these countries is the annual growth rate of their real Gross Domestic Product (GDP). Overall, there has been positive GDP growth in each of the past four years in developing countries. In transitional countries, annual growth rates were positive in 1997 and 1999. An increase of 4.9% in 2000 was the highest growth rate since the fall of communism (see Fig. 5).

Fig. 5: Economic Conditions in Developing and Transitional Nations



	CY 1997	CY 1998	CY 1999	CY 2000
Devel	5.7%	3.5%	3.8%	5.6%
Trans	1.6%	-0.8%	2.4%	4.9%

Treasury Programs

The Under Secretary for International Affairs monitors the economies of developing and transitional nations and works closely with their governments, international institutions and other agencies to promote sound economic policies and programs in these countries. Treasury has 40 resident advisors and 100 intermittent advisors in 40 countries to give on-site technical assistance and expert advice in tax, budget, banking and financial institutions, government debt issuance and management.

A desired outcome of international economic integration is an inclusive global economy that works for all people and the public good. Since individual governments may not be able to solve problems that cross borders, Treasury acts to bring about concerted global cooperation to achieve global public goods and address global problems, such as HIV/AIDS and other infectious diseases, global warming, loss of biodiversity, money laundering, and other financial crimes.

CY 2000 Key Accomplishments and Performance Results

Key Accomplishments

Treasury played a key role in international cooperative efforts to promote growth in developing nations and to help resolve cross-border problems that have a significant global impact.

- ***Debt Relief for Heavily Indebted Poor Countries.*** In 1999, Treasury urged the "Group of Seven" industrialized nations (the G-7) to provide much more debt relief to Heavily Indebted Poor Countries (HIPC). The unmanageable debt burdens of these poor countries often prevent them from making investments to fight ravaging diseases, reduce poverty and improve education. The G-7 agreed to an expanded HIPC initiative to help these poorest countries reduce their debt burden if they commit to reform and use savings to increase investment in the social sectors. A significant Treasury accomplishment in 2000 was securing a major U.S. commitment of $600 million for the HIPC

Trust Fund to be used to reduce the debt owed to regional development banks by thirty-two heavily indebted poor countries. By the end of 2000, twenty-two countries were receiving significant debt relief and making progress in implementing their poverty reduction strategies. In addition, the U.S. pledged to deliver another $320 million for relief of debt these countries owe directly to the U.S.

- ***AIDS in Africa***. Treasury has been helping mobilize resources to fight the spread of AIDS, a transnational problem that is devastating sub-Saharan Africa and seriously affecting other areas of the developing world.

- ***Tropical Forest Conservation.*** In FY 2000, Treasury continued implementing the Tropical Forest Conservation Act of 1998 (TFCA) that provides debt relief for eligible developing countries that agree to conserve or restore their tropical rain forests. Treasury determines which countries are eligible for reduction of the debt they owe the U.S. In September 2000, Treasury completed the first TFCA agreement with Bangladesh. In FY 1999 and FY 2000, Treasury helped secure appropriations of $26 million for this program ($13 million in each year).

- ***Coordinated Efforts of Creditor Nations.*** Treasury actively participates in the meetings of an ad hoc group of official creditor nations, the "Paris Club." Through this group, the major lending nations coordinate their debt reduction and rescheduling agreements on the debt owed to them by developing and transitional countries. In 2000, the Paris Club committed to debt reduction for Honduras, Mauritania, Senegal, Tanzania and Uganda and negotiated debt rescheduling agreements with Ecuador and Indonesia.

Treasury can point to its accomplishments in promoting economic growth and reform as it monitored and worked directly with individual nations in Asia, Africa, Latin America, Eastern and Central Europe, the former USSR and Central Asia. There were setbacks as well as successes.

- ***Transitional Economies.*** In 2000, growth in transitional economies, including Central Europe, the Balkans, and the former Soviet Union, was estimated at 5% -- up from 2.4% in 1999. This is the highest rate of economic growth for this area in many years. For most of these economies, inflation is lower and exchange rates are more stable, but these recent achievements may not be sustainable. In many of these countries, poverty and social ills are rising, not falling.

- ***Russia.*** This past summer, the Russian government approved a comprehensive economic reform plan, including the enactment of key tax reform measures. Treasury encouraged Russian authorities to undertake long-delayed structural and institutional reforms, including strengthened controls on use of Central Bank reserves and steps to combat corruption and strengthen the rule of law (for example, passage of a strong money laundering law). A potential obstacle to US-Russian cooperation is the Russian government's planned taxation of U.S. contracted technical assistance, beginning in early 2001.

- ***Ukraine***. It is estimated that Ukraine will post real economic growth of 6% in 2000. This will be its first recorded real economic growth since independence. Treasury worked closely with Ukrainian officials in giving tax, debt and macroeconomic technical assistance. Progress has been slow with State tax administration counterparts, who have shown little enthusiasm for tax policy reform.

- ***Kosovo.*** Treasury continued to provide budget and economic policy advice to officials of the United Nations Mission in Kosovo. A major accomplishment in 2000 was the establishment and development of the Central Fiscal Authority, which serves as the treasury for Kosovo's interim government.

- ***Turkey.*** Treasury closely monitored a financial crisis that developed in Turkey in late November 2000. Treasury consulted closely with the IMF and Turkish officials on their proposed responses. Turkish authorities announced new measures to accelerate privatization efforts and strengthen the banking sector.

- ***Financial Abuse***. Some Central European and Asian countries have shown resistance to correcting financial abuse. U.S. government advisors who were working on anti-corruption or anti-money laundering activities were dismissed or discouraged from performing their duties after touching on sensitive and entrenched interests.

- ***African Growth and Opportunity Act.*** The African economy is expected to grow by 3.4% in 2000, up from 2.2% in 1999, but the African continent is still the poorest region in the world. Sub-Saharan Africa has over 10% of the world's population, but accounts for only 1% of global GDP and world trade. Treasury played a key role in securing enactment of the African Growth and Opportunity Act of 2000, which allows African nations duty free access to the U.S. for their exports in return for their commitments to economic reform, poverty reduction and democratic rule. Treasury effectively focused international economic assistance on those countries committed to reform. For example, following reports of misappropriation of funds in Uganda, Treasury delayed consideration of debt relief under the HIPC initiative until Uganda clarified its allocation of funds and gave assurances that the funds were being used for their intended purposes.

- ***Latin America.*** The economy of Latin American is expected to grow by 4.3% in 2000, compared to almost no growth (0.3%) in 1999. Nonetheless, Latin America remains highly dependent on external financing. Treasury led international efforts to stabilize an economic and financial crisis in Ecuador and endorsed a $2 billion international support program. Brazil had 4% growth in 2000 and made the final repayment on its loan from the Bank of International Settlements facility. Priorities for Latin America include increasing domestic savings, liberalizing trade, and strengthening the financial sector.

- ***Argentina.*** Following two years of recession and deflation, as well as rising interest rates, Argentina has faced acute financing difficulties at the end of 2000. Additional official-sector commitments were required for the government of Argentina (GOA) to meet its 2000 and 2001 public sector financing requirements. In December 200, the GOA and the International Monetary Fund (IMF) reached an agreement on a new program supported by the IMF-led financial package of $39.7 billion. Of the total, about half would be financed by the IMF, World Bank, and Inter-American Development Bank (including $1 billion bilateral contribution from the government of Spain), and half by Argentina's private financial institutions. The thrust of the program is to restore investor and consumer confidence, and over the medium-term, enhance the sustainability of public finances. But significant economic and political risks to Argentina's prospects remain.

- ***Asia.*** The Asian economy has rebounded from the financial crises of the late 1990s, with economic growth of 5.9% in 1999 and almost 6.7% in 2000. However, many of the cyclical factors supporting this robust economic growth are beginning to fade due to higher oil prices, weakened demand for high tech goods, and global liquidity constraints. Economic growth in Asia is highly dependent on exports and, in some Asian countries, on fiscal stimulus.

- ***India***. In April 2000, the U.S. and India initiated a new India-U.S. Economic and Financial Forum to strengthen economic and financial relations through regular contact between the two countries. Treasury encouraged the Indian government to accelerate fiscal consolidation and privatization and to strengthen supervision and regulation of its banking sector.

<u>Performance Results</u>

Following is a report on performance targets in Treasury's FY 2000 Performance Plan related to this objective.

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
4	**2 (50%)**	0	2 (50%)	2 (50%)

Departmental Offices Performance Goal: *Promote Economic Growth and Sound Policies in Developing and Transitional Economies*

Performance Measure: Economic Conditions in Developing Countries (rate of growth in GDP)

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
+5.7%	+3.5%	+3.8%	GDP Growth	**+5.6%**

Explanation of Measure: This measures the overall percent change in GDP from the prior calendar year for all developing countries.

Explanation of Performance: Overall, there has been positive growth in each of the past four years.

Performance Measure: Economic Conditions in Transitional Countries (rate of growth in GDP)

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
+1.6%	-0.8%	+2.4%	GDP Growth	**+4.9%**

Explanation of Measure: This measures the overall percent change in GDP from the prior calendar year for all transitional countries.

Explanation of Performance: Overall, there has been positive growth in three of the past four years. The rate of growth in 2000 was the highest in these countries in many years.

Performance Measure: Debt Reduction Agreements for Poorest Countries

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
13	10	11	Qualitative Progress	See Below

Explanation of Measure: This measure is the number of bilateral agreements the U.S. entered into with the poorest countries during the fiscal year to reduce or defer the debt these countries owe the U.S.

Explanation of Performance: Although the poorest countries owe most of their debt to international lending institutions or nations other than the United States, the U.S. sets a leadership example through its own bilateral agreements with poor countries to reduce or defer the debt they owe us. During FY 2000, the U.S. concluded bilateral debt reduction agreements with Bolivia, Bosnia, Central African Republic, Honduras, Jordan, Mauritania, Rwanda, and Zambia. In 2000, the U.S. pledged to deliver $320 million for reduction of debt these countries owe directly to the U.S. In FY 2000-2001, Treasury helped secure appropriations of $185 million for reduction of debt owed to the US.

Performance Measure: Developing And Transitional Countries Acceptance of U.S. Recommendations For Economic Reforms

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
--	--	--	Qualitative Progress	See Below

Explanation of Measure: This is a qualitative description of the leadership the U.S. has shown in encouraging developing and transitional countries to implement needed economic reforms and appropriate policies.

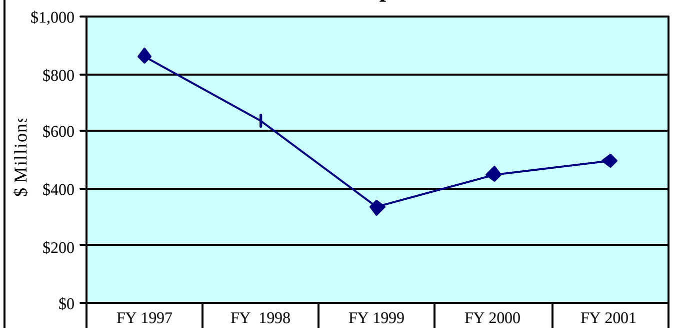
Explanation of Performance: Treasury can point to examples where countries, particularly the transitional economies, implemented needed economic reform. This past summer, at Treasury's urging, the Russian government approved and implemented a comprehensive economic reform plan, including the enactment of key tax reform measures. Treasury encouraged Russian authorities to undertake long-delayed structural and institutional reforms, including controls on use of Central Bank reserves and steps to combat corruption and strengthen the rule of law (for example, passage of a strong money laundering law). Another major accomplishment in 2000 was the establishment of the Kosovo Central Fiscal Authority, the treasury for Kosovo's interim government. In November 2000, Treasury closely monitored a financial crises that developed from a liquidity shortage and consulted closely with Turkish officials and the IMF on their proposed response. Turkish authorities announced new measures to accelerate privatization efforts and strengthen the banking sector. Further discussion of Treasury's progress and setbacks is found in the *Key 2000 Accomplishments* section in the narrative above.

Treasury Objective: Strengthen International Financial Institutions that Promote Global Economic Stability and Support Developing and Transitional Economies

Key Trends

One means through which the U.S. achieves its international strategic objective of sustainable economic growth, development, and financial stability is through its leadership in International Financial Institutions (IFIs), such as the International Monetary Fund (IMF) and the Multilateral Development Banks (the World Bank and regional development banks) and the Global Environment Facility. The U.S. is a leader and major shareholder in these institutions, and Treasury has taken the lead in pushing for fundamental reforms in the way the institutions do business, including improved project and program implementation, transparency, openness and accountability, and support for strategic global interests.

Fig. 6: Unmet U.S. Commitments (Arrears) to Multilateral Development Banks



	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
$ Millions	$862	$638	$335	$451	$498

The leadership and influence the U.S. exercises in these institutions is affected by whether or not we make good on our financial commitments to them, particularly by paying off our unmet commitments or arrears. Treasury proposed a plan to eliminate U.S. arrears owed to the Multilateral Development Banks (MDBs) by FY 2001 and pressed Congress for the needed resources. We made progress between FY 1997-1999, when arrears dropped to $335 million; however, FY 2000 and FY 2001 appropriations were short of requested budget amounts, bringing current arrears back up to almost $500 million (see Fig. 6).

Treasury Programs

The Secretary of the Treasury serves as U.S. Governor of several IFIs, including the IMF and the World Bank. Although the U.S. is a major shareholder in most of the IFIs, the U.S. does not control or direct their operations. Treasury does, however, work with other shareholders and outside interest groups to push for improvements and reform in the IFIs and to obtain agreement on U.S. objectives. Treasury has encouraged the IFIs to strengthen internal controls, including measures to minimize misuse of the loans countries receive.

Treasury encourages the IFIs to carry out their responsibilities effectively, efficiently and in conformance with their mandates. Treasury promotes IFI financial stability, performance-based lending allocation, and greater openness and transparency of the IFIs' finances and operations. Additionally, Treasury seeks better coordination and cooperation among the IMF, the World Bank and regional development banks.

Treasury works with the Congress to secure timely payment of U.S. financial commitments to the World Bank and the development banks for specific regional areas, such as Asia, Africa, the Americas, and Eastern Europe.

Treasury promotes sound global environmental policies by urging the IFIs, World Bank and regional development banks to adhere to high environmental standards in all their operations, including their lending practices. Treasury works closely with the Global Environment Facility, which funds projects to help developing countries deal with their environmental problems which ultimately affect the global environment.

FY 2000 Key Accomplishments and Performance Results

Key Accomplishments

- ***International Monetary Fund Reform (IMF)***. In December 1999, Treasury took the lead in launching a major new initiative to reform and modernize the IMF.

- ***Improved IMF Openness and Transparency***. Treasury continued to press for improved transparency at the IMF, both within the institution itself and in the countries receiving financial assistance under IMF programs. Treasury urged the IMF to increase its flow of information – releasing more details of its own operations, advice to governments, and assessments of compliance with standards and codes. A few years ago, little information was available about a country's reform commitments under IMF programs or about IMF analysis of countries' economies. Now the IMF releases the details of borrowing countries' reform programs and policy intentions for about 90 percent of country programs. Additionally, 48 countries have released update reports on their economies.

- ***Addressing Misuse of IMF Resources***. Treasury helped strengthen the IMF by taking a lead role in urging IMF follow-up on alleged misuse of IMF resources. For instance, independent audits confirmed allegations that Ukraine had mismanaged its reserves and misreported key data to the IMF. Ukraine agreed to repay $100 million to the IMF and to strengthen its reserve management practices.

- ***Multilateral Development Bank (MDB) Reform and Priorities***. In the fall of 2000, the U.S. and its G-7 partners launched a new MDB reform initiative to improve the way the banks do business and to redefine core thinking about MDB development and assistance. Under strong U.S. leadership, the G-7 has now set priorities for strengthened accountability and transparency, donor coordination, greater disclosure and selectivity in setting priorities and improving development impact.

Performance Results

Following is a report on performance targets in Treasury's FY 2000 Performance Plan related to this objective.

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
3	**3 (100%)**	0	0	2 (67%)

***Departmental Offices International Affairs Performance Goal**: Strengthen international financial institutions that promote global economic stability and support developing and transitional economies*

Performance Measure: U.S. Meets Current Financing Commitments and Pays All Arrears to Multilateral Development Banks (MDBs) (in millions)

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
$862	$638	$335	$451	**$451**

Explanation of Measure: This measures the amount of unpaid commitments (arrears) the U.S. owes to the MDBs.

Explanation of Performance: In FY 2000, arrears or U.S. unpaid commitments to MDBs totaled $451 million. The FY 2001 budget request included $167 million for arrears clearance. Full funding of the request would have reduced U.S. arrears to $284 million. However, the amount appropriated fell short of the request and arrears increased to $498 million.

Performance Measure: Economic Conditions in Developing Countries (Rate of Growth in GDP)

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
+5.7%	+3.5%	+3.8%	GDP Growth	**+5.6%**

Explanation of Measure: Measures overall percent change in GDP from the prior calendar year.

Explanation of Performance: Overall, there has been positive growth in each of the past four years.

Performance Measure: Economic Conditions in Transitional Countries (Rate of Growth in GDP)

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
+1.6%	-0.8%	+2.4%	GDP Growth	**+4.9%**

Explanation of Measure: Measures overall percent change in GDP from the prior calendar year.

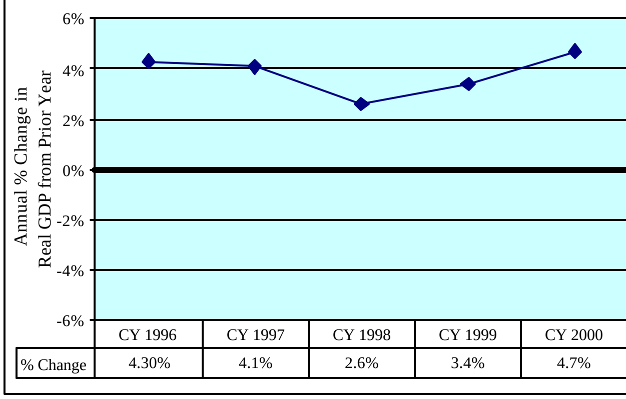
Explanation of Performance: Overall, there has been positive growth in three of the past four years. The rate of growth in 2000 was the highest in these countries in many years.

Treasury Objective: Monitor the Global Economy and Promote International Economic Leadership through Cooperation on Economic Policy

Key Trends

America's economic performance in recent years has been exceptional, but U.S. expansion depends on balanced and sustainable world economic growth, particularly in the major industrial economies of Europe and in Japan. One indicator of success in achieving world economic growth is the rate of growth in global gross domestic product (GDP). In each of the past four years, there has been positive real growth in global GDP (see Fig. 7).

Fig.7: Real Global GDP Growth



Treasury Programs

The Secretary of the Treasury and Under Secretary for International Affairs play key leadership roles in global economic cooperation as they meet regularly with the finance ministers of the "Group of Seven" industrialized nations (the G-7). These nations (Canada, France, Germany, Italy, Japan, the U.K. and the U.S.) work together to create a more secure, prosperous and democratic world though mutual trust, cooperation and assistance.

To include more nations in this kind of cooperative body, Treasury proposed a new "Group of 20" nations (the G-20), which was formed in 1999. Members, in addition to the G-7 nations, are Argentina, Australia, Brazil, China, the European Union (15 European countries), India, Indonesia, Mexico, Russia, Saudi Arabia, South Africa, South Korea, and Turkey. With these nations at the table of economic cooperation, 80 percent of the world's economic production and 65 percent of its population are represented. The G-20 forum has the potential to promote cooperation and international financial stability and build consensus in the coming years.

CY 2000 Key Accomplishments and Performance Results

Key Accomplishments

- ***International Financial Architecture***. In the wake of the Asian financial crisis and other financial crises of the 1990s, Treasury led a comprehensive international effort to reduce the risk of future financial crises and strengthen the international community's capacity to respond. A Treasury task force developed a comprehensive set of proposals to reform the global financial system (or financial architecture). The Treasury proposals, adopted almost in their entirety by the G-7, recommended stronger international financial institutions, a greater voice for emerging market nations, more openness and transparency by governments and lending institutions, stronger lending regulations, shared responsibility for crisis management, and a framework for private sector involvement in crisis prevention and resolution.

  A Financial Stability Forum, recommended by Treasury, was inaugurated by the G-7 in the spring of 1999 to promote international financial stability through information exchange and international cooperation in financial supervision and surveillance. Following the Forum's first meeting, three working groups were established to deal with Highly Leveraged Institutions, Capital Flows, and Offshore Financial Centers. In 2000, these groups made important contributions to strengthening the international financial architecture when they released reports with recommendations for better risk management, better disclosure practices among financial institutions, and improved oversight of creditor institutions.

- ***U.S.-China Financial Sector Dialogue***. Treasury officials have met bilaterally with senior Chinese finance officials on a regular basis to discuss China's reform plans in the financial and state-owned enterprise sectors, monetary and exchange rate policy, and global economic developments, such as the Asian financial crisis, and rising world oil prices. In 1999, China and the U.S. announced plans to form a U.S.-China Financial Sector Dialogue to strengthen the financial and economic relationship between the U.S. and China through regular contact among policymakers from both countries. At the initial meeting in October 2000, co-chaired by Treasury, the Federal Reserve, China's Ministry of Finance, and the People's Bank of China, participants discussed the development of capital markets and banking sector developments.

- ***Dialogue on Financial Reform in Japan.*** After impressive growth in the 1980s, Japan suffered a prolonged period of weak economic growth during the 1990s, associated with serious financial system problems and a general awareness that Japan's economy needed major structural changes to adapt to new economic circumstances. Treasury devoted substantial effort to analyzing Japan's economic problems and discussing policy issues with Japanese authorities, both bilaterally and in meetings of the G-7 finance ministers and central bank governors. The objective was to encourage stronger Japanese performance that would support global growth and reduce external imbalances. Treasury, along with other agencies, encouraged Japanese authorities to embrace financial sector reform and restructuring and market-opening measures. In 1998 and 1999, the Japanese government took measures to stabilize Japan's financial system, deal with weak banks, and institute an improved supervisory and regulatory structure.

Performance Results

Following is a report on the performance targets in Treasury's FY 2000 Performance Plan related to this objective.

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
6	**6 (100%)**	0	0	6 (100%)

Departmental Offices Performance Goal**:** *Monitor the global economy and promote international economic leadership through cooperation on economic policy*

Economic Conditions of Foreign Countries That Are Major U.S. Trading Partners	CY 1998 Performance	CY 1999 Performance	CY 2000 Target	CY 2000 Performance
Canada	3.3%	4.5%	GDP Growth	**4.7%**
European Union (11 countries using the euro)	2.7%	2.5%	GDP Growth	**3.45%** (est)
United Kingdom	2.6%	2.3%	GDP Growth	**3.0%**
Mexico	4.9%	3.5%	GDP Growth	**6.5%** (est)
Japan	-2.5%	0.8%	GDP Growth	**1.4%** (est)
China	7.8%	7.1%	GDP Growth	**7.5%** (est)

Explanation of Measure: This measures the percent change over the prior calendar year GDP of six major U.S. trading partners.

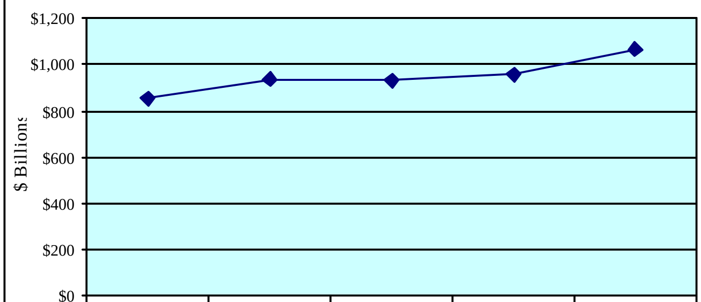
Explanation of Performance: One indicator of success in achieving world economic growth is the rate of growth in global gross domestic product (GDP) of foreign countries that are major U.S. trading partners. In each of the past several years, there has been positive real growth in their GDP. The exception is Japan, which experienced a prolonged period of weak economic growth and serious financial system problems in the 1990s. Encouraged by Treasury and other agencies, Japan undertook financial sector reform and restructuring, and in 2000, Japan's economy improved, and Japan showed an increase in GDP growth rate.

Treasury Objective: Facilitate Legitimate Trade, Enhance Access to Foreign Markets, and Enforce Trade Agreements

Key Trends

As we integrate nations and people through trade, we invest in the future security of the U.S. and the rest of the world. We are moving closer to U.S. international affairs policy goals of opening world markets through a strong, fully integrated international trading system and expanding U.S. exports to $1.2 trillion early in the 21st century. In calendar year 2000, U.S. exports topped $1 trillion for the first time in history (see Fig. 8).

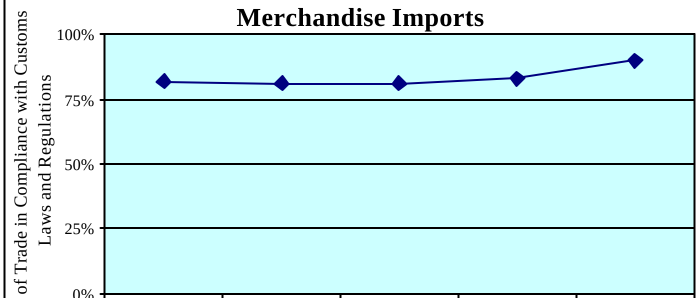
Fig. 8: Value of U. S. Exports



	CY 1996	CY 1997	CY 1998	CY 1999	CY 2000
$ Billions	$852	$937	$933	$956	$1,068

Another aspect of this Treasury objective is the need to enforce trade agreements. The rate of compliance with U.S. trade laws is a success indicator of enforcement efforts of the U.S. Customs Service and a reflection of Customs' partnerships with the trade community. The rate of compliance had been relatively flat over the past few years, but jumped significantly to 90% in FY 2000 (see Fig. 9).

Fig. 9: Compliance Rates for Merchandise Imports



	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000
% Compl	82%	81%	81%	83%	90%

Looking to the future, Customs anticipates import tariffs will decline worldwide as trade agreements are implemented, the Internet and e-commerce grow, the size and capacity of container ships increase, and free enterprise is expanded to include former Eastern Bloc, Pacific Rim and South Asian countries as well as Iran and Cuba.

Treasury Programs

Treasury's Under Secretary for International Affairs, Under Secretary for Enforcement and the U.S. Customs Service play important roles in developing U.S. trade policy--negotiating and implementing provisions on financial services, investments, balance of payments, rules of origin, taxes and other customs matters.

The Under Secretary for International Affairs works with the governments of other nations and with other Federal agencies such as the U.S. Trade Representative (USTR) to promote a strong and fully integrated international trading system. To open markets and encourage rules-based international trade, Treasury and the USTR negotiate new agreements that liberalize trade. One strategy for opening world markets and reducing trade barriers is to expand World Trade Organization membership to key emerging economic countries on a commercially meaningful basis.

The U.S. Customs Service, under the Under Secretary for Enforcement, administers and enforces trade agreements to ensure that all goods and persons entering and exiting the United States comply with U.S. trade laws and regulations. To increase compliance, Customs uses innovative programs and targeted enforcement actions. Customs works with industry partners to expedite the movement of compliant cargo and works with international trade organizations to standardize trade and Customs data.

FY 2000 Key Accomplishments and Performance Results

Key Accomplishments -- Under Secretary for International Affairs

- ***Permanent Normal Trade Relations with China***. An important Treasury accomplishment in 2000 was helping secure Congressional approval for Permanent Normal Trade Relations with China, thus giving impetus to China's efforts to become a member of the World Trade Organization (WTO). This is expected to occur in 2001 and to result in lowered trade barriers between China, the U.S. and other WTO members.

- ***Bilateral US-China Trade Agreement***. In a bilateral WTO agreement with the U.S. in November 1999, China committed to reducing its tariffs significantly in U.S. high-priority sectors: technology, autos, chemicals, and agriculture. China agreed to allow U.S. firms the right of full distribution for their products in China, to remove quantitative trade restrictions in banking and insurance, and to eliminate export subsidies for agricultural products. The agreement also committed to eliminate most restrictions on foreign investments and to allow the "grandfathering" of current market access and activities in all service sectors.

- ***Africa Growth and Opportunity Act***. Treasury helped secure passage of the Africa Growth and Opportunity Act of 2000 (AGOA), which reduces U.S. tariffs on goods from African countries. AGOA should help expand African countries' trade and participation in the benefits of the global economy. AGOA allows African nations duty free access to the U.S. in return for their commitments to economic reform, poverty reduction and democratic rule.

- ***Multilateral Trade Negotiations***. The primary objective of the Seattle World Trade Organization Ministerial meeting in December 1999 was to launch a new round of multilateral trade negotiations, but the WTO was unable to reach agreement on a broad-based agenda encompassing the complex issues needed for a new round. There were encouraging signs of progress at the start of WTO negotiations in 2000 on agriculture and services, and trade-related measures to assist developing countries.

- ***Bilateral Trade Negotiations***. In 2000, Treasury, working with the U.S. Trade Representative, negotiated improved market access for U.S. financial services providers in a *U.S.-Vietnam Agreement on Trade Relations* and *a Jordan Free Trade Area* agreement. These agreements are pending Congressional approval.

- ***"Tied Aid" Subsidies***. When aid given to a developing country is linked to the procurement of goods and services from the donor country, this "tied aid" can distort trade, limit competition, and, in effect, subsidize export promotion. Since 1991, when the U.S. and other countries in the Organization for Economic Cooperation and Development agreed to rules to curtail tied aid, Treasury has been the leader in enforcing these rules. These efforts have enabled U.S. export firms to compete more effectively and fairly on projects in developing and transitional countries. Treasury is now proposing that the rules on tied aid also be applied to "untied aid," aid which is not formally linked to procurement from the donor country, but which is often linked *de facto*.

Key Accomplishments -- Under Secretary for Enforcement/U.S. Customs Service

- ***Remote Location Filing (RLF).*** In FY 2000, Customs continued to implement the Modernization Act by expanding the number of ports using RLF. RLF allows cargo to be entered and processed at locations that are not normally within reach of the typical port where the goods actually arrived, such as factories or warehouses. Currently 116 ports, 193 brokers, and 1,119 importers are participating. There are 10,500 RLF entries filed per month.

- ***Entry Revision Proposal***. The Entry Revision Proposal identified the need for major legislative changes to streamline and modernize Customs entry statutes and has been a primary and continuing initiative. Regulations packages such as the revised broker regulations, new fines penalties and forfeiture guidelines, and a revision in the procedures for issuance of administrative rulings on import issues have all been completed in FY 2000. Additionally, the binding rulings program has issued over 12,000 rulings to the importing public in order to help resolve import issues while promoting uniformity throughout ports located nationwide. Rulings which were formerly available only by subscription are now available on the Internet free of charge within two weeks of issuance.

- ***Account Management***. The Account Management Program, which monitors the largest importers, now includes 205 national and 564 port-based accounts. This represents a significant increase over the past year, and reinforces Customs move from a traditional transaction-based processing methodology to a more customer focused account-based approach that increases compliance.

- ***Compliance Assessment.*** The Compliance Assessment Program, now in its fifth year of operation, uses a statistical sampling methodology to select importers for review who exhibit a high degree of non-compliance. Although the review does not constitute an audit, it is a comprehensive way to determine whether or not information being submitted to Customs is complete, accurate, and in accordance with laws and regulations. As part of the Program, teams of auditors, import specialists, international trade managers and analysts combine their skills and expertise in a joint effort with corporate managers. These efforts help develop plans for improving performance, which in turn increases national compliance rates. This program continues to be a key element of the Risk Management Process, giving Customs access to vital data needed to construct import profiles by industry, while helping direct resources in the most advantageous manner to correct deficiencies and processing errors.

  Customs also completed Compliance Assessment reviews of 103 major importers, and is in the process of issuing a report on 132 more. These are positive numbers for a program that is a cornerstone of the Customs informed compliance initiative. In further support of this effort, 55 Informed Compliance Publications were issued. These provide practical guidance to importers and are available to the trade in hard copy or on the Customs website.

- ***Intellectual Property Rights***. With the development of new technologies and the decreasing cost and proliferation of duplication equipment, copyright and trademark infringement continues to be a great concern for both Customs and legitimate businesses and consumers. FY 2000 saw the publication of the Intellectual Property Rights Handbook for Customs field officers, and the number of infringing seizures continued to increase.

- ***Raising Compliance.*** Compliance rates for “Letter of the Law Discrepancies,” which measure all trade discrepancies, and “Major Transactional Discrepancies,” which measure discrepancy types deemed most significant, have steadily increased over the past few years. Looking at the overall compliance gains more closely, the combined Primary Focus Industry compliance rates reached 91%. Several carefully designed and coordinated interventions and innovative programs like the Focus On Non-Compliance and the Multi-Port Approach to Raise Compliance by the year 2000 helped with these gains. Each of these programs had a goal of not only raising compliance, but also promoting uniformity and information outreach among members of the international trading community.

- ***Risk Management Prototype.*** Also accomplished during FY 2000 was the success of Customs Phase 1 Risk Management Prototype, which included 9 major ports of entry. This prototype challenged managers to better align their resources with areas of non-compliance by considering the potential impact of field activities on specific accounts, industries, and commodities. By linking port operations to the 4-step risk management wheel (collecting data, assessing risk, prescribing action, and tracking and reporting results), prototype managers were able to improve their compliance by an average of 2% per port, targeting by an average of 33% per port, and decreased inconvenience rates by an average of 24% per port.

Performance Results

Following is a report on performance targets in Treasury's FY 2000 Performance Plan related to this objective.

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
9	**4 (44%)**	2 (22%)	3 (33%)	4 (44%)

Departmental Offices Performance Goal: *Facilitate legitimate trade, enhance access to foreign markets*

Performance Measure: Dollar Value of U.S. Exports of Goods and Services ($ Billions)

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
$937	$933	$956	Growth over Prior Year	**$1,068**

Explanation of Measure: Measures in billions of dollars the value of goods and services the US exports to other countries.

Performance Measure: Negotiate Bilateral and Multilateral Agreements to Provide Access for U.S. Financial Services Firms

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
--	--	--	Qualitative progress	See Below

Explanation of Measure: The U.S. negotiates agreements with individual countries or with multiple nations to obtain commitments to allow U.S. financial services firms to do business in these countries.

Explanation of Performance: In 2000, working with the U.S. Trade Representative, Treasury negotiated improved market access for U.S. financial services providers in a *U.S.-Vietnam Agreement on Trade Relations* and *a Jordan Free Trade Area* agreement. These agreements are pending Congressional approval. There were also trade and investment provisions in a broader trade agreement that the U.S. negotiated with Vietnam.

Customs Service Performance Goal: *Stimulate and protect the economic interests of the United States by maintaining a sound trade management system which maximizes compliance with import and export laws and moves legitimate cargo efficiently*

Performance Measure: Compliance Rate -- Imports

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
81%	81%	83%	90%	**90%**

Explanation of Measure: The overall compliance rate for imported goods in terms of major transactional and major issue discrepancies. Compliance is determined by an intensive examination and analysis of a random sample of merchandise entering the country. The calculation is the percent of all cargo entry lines with no major discrepancies with trade laws and regulations.

Performance Measure: Compliance Rate -- Primary Focus Industries (PFIs)

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
83%	84%	85%	92%	91%

Explanation of Measure: The weighted average of compliance rates for imported goods based upon the Harmonized Tariff Schedules of the United States. The measure is calculated by dividing the estimated total number of entry lines of the industries into the estimated total number of compliance entries, presented as a percentage. PFIs are those trade areas that Customs gives priority attention to because of such factors as revenue, quota, and domestic industry impact. These industries include advance information displays, agriculture, automobiles, automobile and truck parts, bearings, board level products, fasteners, production equipment, steel mill products, telecommunications and apparatus, textiles and textile products, and wearing apparel.

Explanation of Shortfall: The measure for level of trade compliance for PFI's are based on statistically valid random examination of cargo. Minor fluctuations of data are normal and to be expected. Customs has managed to maintain compliance levels though innovative programs, despite a huge surge in trade volume.

Customs Service Performance Goal: *Stimulate and protect the economic interests of the United States by maintaining a sound trade management system which maximizes compliance with import and export laws and moves legitimate cargo efficiently*

Performance Measure: Targeting Effectiveness -- Outbound Enforcement

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	11.0%	11.5%	7.5%	**9.3%**

Explanation of Measure: The total number of positive examinations (i.e., exams that result in a seizure, penalty, or discrepancy) divided by the total number of targeted examinations, presented as a percentage.

Performance Measure: Number of Automated Export System (AES) Participants

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
3,400	7,652	33,665	50,000	**222,619**

Explanation of Measure: The number of unique exporters, as represented by filers who file on their behalf, participating in AES.

Customs Service Performance Goal: *Contribute to a safer America by reducing civil and criminal activities associated with the enforcement of Customs laws*

Performance Measure: Number of Outbound Stolen Vehicles Seized

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	816	900	667

Explanation of Measure: The number of stolen vehicles seized annually by Customs officers that are intended to be exported from the United States. Included are the seized vehicles that are intended to be exported and would result in being stolen subsequent to the export because of fraud.

Explanation of Shortfall: The decrease in the number of outbound stolen vehicles can be attributed to a change in smuggling techniques. Legal requirements to provide an original Title at the time a vehicle is exported is believed to have driven this change. For example, new techniques now involve smugglers to first steal a vehicle and remove key parts, then place the vehicle where it will be found by the authorities and declared as abandoned. The vehicle will then be purchased at a minimal cost with a legal salvage title. The removed parts are then replaced and the vehicle is exported, thus circumventing the illegal direct exportation of the vehicle.

Note: The data is of unknown accuracy. Customs is currently developing the means to verify the accuracy of the data.

Customs Service Performance Goal: *Stimulate and protect the economic interests of the United States by maintaining a sound trade management system which maximizes compliance with import and export laws and moves legitimate cargo efficiently*

Performance Measure: Disruption of Fraudulent Trade Activities and Organizations

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	**Performance**
--	--	--	Qualitative Progress	See Below

Explanation of Measure: A narrative assessment of Customs effectiveness in disrupting organizations that are engaged in violating U.S. trade laws in the following programmatic priority areas: textile fraud, public health and safety, intellectual property rights, and forced labor.

Explanation of Performance: Fraud investigative efforts initiated in prior years, and continuing through FY 2000, resulted in the significant identification, disruption, and dismantling of entities who employ illicit trade practices that negatively impact United States trade policies and laws. In one instance, Customs concluded a 2-year investigation targeting manufacturers, importers, and distributors of counterfeit golf equipment, with resulted in the conviction of the final defendant. The investigation culminated with the arrest and conviction of 13 individuals and the seizure of $1.7 million worth of illegally imported counterfeit golf components. During the course of the investigation, Customs seized over 301 shipments of counterfeit golf equipment, which represented a potential loss of revenue to American golf club manufacturers of over $100 million.

In a second investigation, Customs identified a company, in India, that allegedly uses forced and/or indentured child labor. Customs issued a Detention Order against all imports related to the company. To date, three shipments of cigarettes produced by the company have been officially detained at the border.

In another instance, Customs concluded an investigation involving a corporation which fraudulently marked consumer electronic products with false country of origin markings and undervalued the products to avoid paying Customs duties. The corporation pled guilty to smuggling and was sentenced to pay a $6 million criminal fine. The corporation must also pay Customs an additional $8 million in penalties and fines.

In a fourth investigation, Customs concluded a 3-year investigation into the illegal importation of approximately 26,000 30-pound cylinders of ozone depleting chemicals. A company located in Los Angeles, California, pled guilty to storing and selling the chemicals and agreed to pay a $1 million fine of which $100,000 was directed to the Santa Monica National Recreational Area for use on various environmental protection and preservation projects. The investigation of a smuggling organization, responsible for the importation of textiles and counterfeit computer software from Taiwan, resulted in the arrest of three individuals. Over a 2-year period, the organization smuggled into the United States approximately 360 containers of counterfeit merchandise, falsely declared as household furniture. The investigation determined that the organization had smuggled approximately $37 million worth of textiles and counterfeit software into the United States. Two of the individuals were sentenced for their part in the smuggling scheme and ordered to pay a total of $7.4 million in restitution to Customs.

In a continuing special operation, agents have been focused on the illegal importation of butane-filled cigarette lighters and cigarette lighters manufactured without child protective safety switches. Since its inception, the operation has resulted in the seizure of 4,358,381 cigarette lighters, with a value of $8.5 million; 20 search warrants; 5 consent searches; 2 arrests; 4 indictments; 3 guilty pleas; and 2 convictions. Textile Production Verification Teams were deployed to 10 foreign countries, where they conducted visits to over 500 foreign textile factories to verify production capabilities and identify illegal transshipment schemes.

Customs Service Performance Goal: *Contribute to a safer America by reducing civil and criminal activities associated with the enforcement of Customs laws*

Performance Measure: Disruption of Cybersmuggling Activities and Organizations

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	--	Qualitative Progress	See Below

Explanation of Measure: A narrative assessment of Customs effectiveness in disrupting organizations and individuals that are engaged in violating U.S. trade laws through the use of the Internet and other electronic media.

Explanation of Performance: In FY 2000, Customs continued to expand its investigative techniques in pursuit of violators of trade laws and priority enforcement areas conducted or facilitated via the Internet. Such expansion was augmented by a staffing increase at the Cybersmuggling Center. This allowed for the creation of the Cyber Crimes Unit, which has successfully made inroads into the areas of Intellectual Property Rights and prohibited imports (i.e., pharmaceuticals and cultural artifacts). During the fiscal year, the completion of the Cybersmuggling Center facility was realized, to include current technology to meet the demands of the Internet violator. With targeted leads from the Center, Customs has realized an increase of 57 percent in child pornography arrests in FY 2000. Customs continued to enhance its international presence through the use of international training and cooperation with countries in Southeast Asia and Europe. A total of 24 special agents were trained as Computer Investigation Specialists, giving Customs a total of 110 trained computer forensic investigators, exceeding our goal of 100 by the end of the fiscal year.

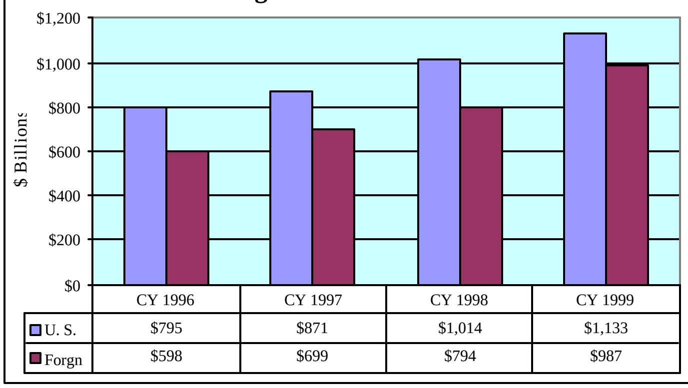
Treasury Objective: Strengthen the Stability and Efficiency of Global Capital Markets and Promote a Sound Framework for International Investment

Key Trends

As the world moves closer to a global economy, U.S. economic prosperity is increasingly linked to international investment, trade and capital flows. We can expand and open world markets through growth and greater efficiency in global capital markets, more international investment, and strong global financial systems that are less vulnerable to crises.

There are significant challenges. With increased globalization and complexity has come a rapid increase in the volume of financial transactions, types of financial instruments, and the number of global players. Economic and financial shocks are difficult to predict, and the effectiveness of our responses to them depends largely on the reaction of financial markets and the adequacy of policies adopted by other countries.

Fig. 10: U.S. Direct Investment Abroad and Foreign Investments in U.S.



A goal of U.S. international economic policy is to increase the free flow of goods, services, and capital worldwide. Two progress indicators are the levels of U.S. direct investment abroad and foreign direct investment in the U.S. Direct investments, rather than portfolio or stock investments, are those in which an individual or business buys or holds over 10 percent of the equity in a foreign firm. As shown, both types of investments have increased each year from 1996 through 1999 (see Fig. 10). The investment amounts for 2000 are not yet available.

Treasury Programs

The Under Secretary for International Affairs works to reduce risks to the international financial system and vulnerability to financial crises. When financial crises in other countries have occurred, we have recommended prompt action on a mix of domestic policy reforms, external official support, and involvement of the country's private sector creditors. Other strategies have been to establish a network to address emergencies, assess the risk posed by global firms and maintain high standards of effectiveness for their management controls, encourage cooperation among regulators and the private sector, and enhance openness and transparency through public disclosure and meaningful risk-based reporting.

To establish a policy framework for international investments, two Treasury offices are principally involved: International Affairs and Tax Policy. The Under Secretary for International Affairs, working with the State Department and U.S. Trade Representative, negotiates investment treaties with other countries. The Assistant Secretary for Tax Policy develops policies on taxation of international income, negotiates tax treaties with other countries, and supports negotiations of investment treaties. Also, Treasury serves as Chair of the Committee on Foreign Investment in the U.S. (CFIUS), a government function with the dual purpose of preserving the principles of an open U.S. investment policy and protecting U.S. national security.

CY 2000 Key Accomplishments and Performance Results

Key Accomplishments

- ***Financial Stability Forum***. In response to numerous financial crises that threatened global financial security in the 1990s, Treasury led a comprehensive effort to reform the international financial system or architecture. The "Group of Seven" industrialized nations (the G-7: Canada, France, Germany, Italy, Japan, U.K. and U.S.) adopted a Treasury proposal and inaugurated a Financial Stability Forum (FSF) in 1999 to promote financial stability through information exchange and cooperation in the supervision of financial markets. Membership in the forum consists of several international financial organizations and banking committees and the governments of the G-7 nations plus Australia, Hong Kong, Singapore and The Netherlands.

In 2000, three FSF working groups were formed and reported on Highly Leveraged Institutions, Capital Flows, and Offshore Financial Centers. These working groups made important contributions to strengthening the international financial architecture when the G-7 and G-20 approved their recommendations on risk management, financial institution disclosure practices, and oversight of creditor institutions.

- ***Financial Crime and Money Laundering***. Corruption, money laundering, tax evasion, and other financial crimes could undermine the credibility of the global financial system. Treasury has taken the lead in integrating work on these issues by the FSF, the Financial Action Task Force, and the Organization for Economic Cooperation and Development.
- ***Foreign Acquisitions in the U.S***. Treasury serves as Chair of the CFIUS, a government function with the dual purpose of preserving the principles of an open investment policy and protecting U.S. national security. In 2000, Treasury reviewed over 70 foreign acquisitions of U.S. businesses.
- ***Bilateral Investment Treaties***. The Senate recently approved bilateral investment treaties between the U.S. and 10 other countries that gave their commitment to market access in their countries for U.S. banking and securities firms. The countries were Jordan, Bahrain, Croatia, Azerbaijan, Lithuania, Uzbekistan, El Salvador, Honduras, Bolivia, and Mozambique. There were also investment provisions in a broader trade treaty that the U.S. negotiated with Vietnam.

Performance Results

Following is a report on performance targets in Treasury's FY 2000 Performance Plan related to this objective.

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved**
2	0	0	2 (100%)	0

Departmental Offices International Affairs Goal: *Strengthen the Stability and Efficiency of Global Capital Markets and Promote a Sound Framework for International Investment*

Performance Measure: Negotiation of Bilateral and Multilateral Agreements with Other Countries to Stimulate Foreign Investments by U.S. Firms

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	**Performance**
--	--	--	Qualitative Progress	See Below

Explanation of Measure: The U.S. negotiates agreements with individual countries and also negotiates multi-nation agreements to obtain commitments to ensure that foreign markets are open to investment by U.S. firms.

Explanation of Performance: In 2000, the Senate approved Bilateral Investment Treaties between the U.S. and 10 countries (Jordan, Bahrain, Croatia, Azerbaijan, Lithuania, Uzbekistan, El Salvador, Honduras, Bolivia, and Mozambique). There were also investment provisions included in a broader trade treaty the U.S. negotiated with Vietnam.

Performance Measure: Level of U.S. Direct Investment Abroad (in billions)

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	FY 2000	
			Target	**Performance**
$871 (Corrected Actual)	$1,014	$1,133	Growth over Prior Year	Data not yet available

Explanation of Measure: Direct investments are those where the U.S. investor owns more than 10 percent of the equity in a foreign company.

Explanation of Performance: In CY 1999, U.S. direct investment abroad totaled $1.1 trillion, a 12 percent increase over the 1998 level of $1.0 trillion. Data on CY 2000 investments will not be available until July 2001 and will be reported in the next year's performance report.

Treasury Objective: Pursue Exchange Rate Policies to Promote Stable Financial Systems

Key Trends

Global financial stability is in the U.S. national interest because, in this increasingly interdependent world, one nation's financial crisis can have global consequences that affect the U.S. economy and each American. The objective is to assure global financial stability through a stable system of exchange rates and through flexible but orderly exchange rate systems or regimes. As the international financial system changes rapidly, currency exchange rate systems must cope with change over time.

An indicator of success for this objective is the avoidance of large and sustained misalignments of currency exchange markets that cause significant economic and financial disruptions. When a financial crisis has arisen, the U.S. has worked with other countries and international organizations to stabilize currency exchange markets and resolve the crisis quickly.

Treasury Programs

Treasury represents the United States internationally on monetary issues and plays a key role in charting the course of the international financial system.

Working through the International Monetary Fund (IMF) and with the other G-7 nations (Canada, France, Germany, Italy, Japan, and the U.K.) Treasury develops and implements policies to promote a stable system of exchange rates and flexible but orderly exchange rate mechanisms. Treasury helps other countries establish appropriate exchange rate systems that command the trust of domestic citizens and foreign investors, accommodate regional and global integration, and remain resilient over time.

Treasury monitors the value of U.S. currency against the currencies of our major trading partners and other countries, prepares analyses of market developments and vulnerabilities, and interprets market signals relating to key financial risks and broader economic issues.

Treasury has primary responsibility for US foreign exchange operations. Through its Exchange Stabilization Fund, with $36 billion in assets, Treasury can undertake operations to help deal with excessive fluctuations or significant deviations in currency values (consistent with U.S. obligations in the IMF).

FY 2000 Key Accomplishments and Performance Results

Key Accomplishments

- ***Dollarization***. In 2000, Ecuador and El Salvador decided to "dollarize" or use the U.S. dollar as their national currency. Treasury took the lead in developing the Administration's dollarization policy -- namely, that it would be inappropriate to alter U.S. monetary or banking policy in light of another country's decision to dollarize. Panama already uses the dollar as its currency, and Guatemala is considering such a move.

- ***Single Currency in Europe***. Treasury analyzed and monitored the effects of the 1999 creation of a single European currency. The euro's weak exchange rate performance during its first two years surprised most observers. In September 2000, in view of the potential implications for the world economy of the euro's depreciation, Treasury and the Federal Reserve participated in coordinated intervention initiated by the European Central Bank to purchase euros. Initially, the euro's depreciation continued, but it subsequently stabilized as market participants covered short euro positions.

- ***Brazil***. Through the Exchange Stabilization Fund (ESF), Treasury guaranteed $3 billion of a total of $8.7 billion in credit Brazil had drawn from the Bank for International Settlements in 1998 and 1999. This was part of a successful international support package that was instrumental in stabilizing Brazil's financial situation. In April 2000, Brazil made its final repayment. The ESF earned over $100 million in commissions from Treasury's guarantee.

- ***Egypt***. Treasury worked with Egyptian authorities on monetary policy issues and greater exchange rate flexibility. This resulted in the Egyptian government's easing foreign exchange shortages and undertaking a limited amount of exchange rate depreciation against the dollar. Treasury continued to press for more progress in this area.

- ***Turkey.*** Treasury closely monitored a financial crisis that developed in Turkey in late November 2000. Treasury consulted with the IMF and Turkish officials on their proposed response. Turkish authorities announced new measures to accelerate privatization efforts and strengthen the banking sector.

- ***Russia***. Treasury has been monitoring Russia's economic recovery since its debt default and currency devaluation in 1998, Treasury encouraged Russian authorities to undertake long-delayed structural and institutional reforms. These included strengthening controls on use of Central Bank reserves and taking steps to combat corruption and strengthen the rule of law (for example, passage of a strong money laundering law).

Performance Results

Following is a report on performance targets in Treasury's FY 2000 Performance Plan related to this objective.

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
1	**0**	0	1 (100%)	0

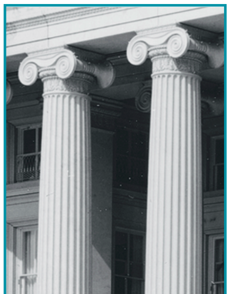
Departmental Offices International Affairs Goal*: Pursue exchange rate policies to promote world economic growth and financial stability*

Performance Measure: Avoidance of Large and Sustained Misalignment of Exchange Markets That Would Cause Significant Economic and Financial Dislocations

FY 1997 Performance	**FY 1998 Performance**	**FY 1999 Performance**	**FY 2000**	
			Target	**Performance**
--	--	--	Qualitative Progress	See Below

Explanation of Measure: The indicator of success is the leadership the U.S. has shown in developing policies that help avoid financial crises and in dealing with these crises quickly when they do occur.

Explanation of Performance: In FY 2000, major foreign exchange rates did not fluctuate significantly against the U.S. dollar. Treasury urged the IMF to identify inconsistencies in national exchange rate policies that could destabilize currencies and to encourage those countries to change their policies before they created a crisis. Treasury's efforts to help maintain a stable system of currency exchange rates and avoid significant financial dislocations are discussed above in the section, *FY 2000 Accomplishments and Results*.



PART II

FINANCIAL: MANAGE THE GOVERNMENT'S FINANCES

FINANCIAL MISSION AREA SUMMARY

MISSION: MANAGE THE GOVERNMENT'S FINANCES

As the primary fiscal agent for the Federal Government, Treasury manages the Nation's finances through collecting money due the United States, making its payments, managing its borrowings, performing central accounting functions, collecting delinquent debt, and producing coins and currency sufficient to meet demand. The bulk of the Department's resources are devoted to collecting taxes and customs duties—Treasury collects approximately 95% of total Federal receipts.

The Internal Revenue Service (IRS) is the primary tax collecting agent; the U.S. Customs Service and the Bureau of Alcohol, Tobacco and Firearms also collect billions of dollars in revenue each year. The Financial Management Service (FMS) provides central payment services for most Executive agencies, operates the Federal government's collections and deposit systems, provides government-wide accounting and reporting services, and manages the collection of delinquent debt. The Bureau of the Public Debt (BPD) executes the borrowing strategy determined by Domestic Finance in order to borrow what is necessary to meet the monetary needs of the Federal Government at the lowest possible cost over the long-term and to account for the resulting public debt. United States coins and currency are produced by the U.S. Mint and the Bureau of Engraving and Printing (BEP).

In achieving the goals in this mission area, Treasury ensures liaison and coordination with other agencies on cross-cutting activities. These include almost all Federal agencies for payments, collections, debt collection, and central accounting activities, and the Federal Reserve System for payments, collections, operational aspects of the distribution and redemption of government securities, and the circulation of coin and currency production. Similarly, the financial services regulatory agencies are conducting and active coordination effort within common areas of banking regulation

FY 2000 Highlights

- During FY 2000, the IRS made significant progress in its implementation of the IRS Restructuring and Reform Act (1998), such as the design and implementation of a new balanced performance measurement system. The design of its new organizational structure was completed and largely implemented with all major elements of the new structure scheduled to be operational in FY 2001.

- During FY 2000, the FMS advanced the electronic payments strategy as government paper check volumes decreased by 15 million payments while Electronic Funds Transfer (ETF) volume increased by more than 28 million payments. The percentage of payments made by EFT increased to 72% in FY 2000.

- Starting in FY 1999, FMS has been working with financial institutions to open Electronic Transfer Accounts (ETAs) to increase electronic government payments. As of September 30, 2000, over 600 financial institutions have been authorized to offer ETAs at 6,976 branches nationwide, with 5,126 accounts opened by Federal payment recipients.

- FMS and IRS launched a pilot project enabling taxpayers to enroll and make payments through the Internet in the Electronic Federal Tax Payment System (EFTPS). In FY 2000, EFTPS collected $1.5 trillion, generating cash management savings to Treasury and reducing the government's operating costs.

- Treasury issued new regulations for Treasury debt buybacks and began buyback operations, all of which went smoothly with heavy participation by the market. BPD conducted 13 buyback operations in FY 2000, repurchasing over $21 billion of Federal debt held by the public.

- BPD introduced the capability for the public to purchase savings bonds directly through the Internet with outstanding results. More than 390,000 bonds were sold totaling $85.8 million.

- BEP achieved manufacturing cost results in both its currency and postage stamp programs due to reduced spoilage, an improvement in ink usage (currency), and improved productivity in stamp coil processing.

- The U.S. Mint maintained productivity levels in producing and shipping 27.2 billion coins for circulation in FY 2000, a 33% increase from the FY 1999 level.

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
132	**57 (43%)**	50 (38%)	25 (19%)	53 (40%)

GOAL: COLLECT REVENUE DUE TO THE FEDERAL GOVERNMENT

Treasury is responsible for the collection of approximately 95% of total Federal receipts such as individual and corporate income and other taxes, customs duties, fees, debts, and other money owed to the United States Government. The bulk of the Department's resources are devoted to collecting taxes and customs duties. Each year the Internal Revenue Service (IRS) collects more than one and a half trillion dollars primarily through the Electronic Federal Tax Payment System (EFTPS). The U.S. Customs Service (Customs) collects approximately 20 billion dollars and the Bureau of Alcohol, Tobacco and Firearms (ATF) approximately 12 billion dollars each year. The Financial Management Service (FMS) is responsible for administering the world's largest collection system, including EFTPS, and facilitates efficient collections by promoting electronic collections to Federal agencies. The purpose of this goal is to stimulate timely, complete collection of all monies due the government consistent with good customer service and business efficiency.

Key Partners in Achieving this Goal Include: The Federal Reserve system and the banking system.

Benefits to the American Public: Collection of taxes, fees and other money due to the Federal government enable it to operate, thus providing the services and benefits which Congress authorizes and funds through annual budget appropriations.

FY 2000 Highlights

- Treasury continued actions to combat the proliferation of corporate tax shelters.
- A major accomplishment of the year was a Treasury-led bipartisan effort to develop and enact legislation to repeal foreign sales corporations and revise the taxation of extraterritorial income.
- During FY 2000, the IRS made significant progress in all aspects of their modernization effort. Of particular significance were implementation of the many specific provisions of the IRS Restructuring and Reform Act of 1998 such as the design and initial implementation of a new balanced measurement system. The design of the new organizational structure was completed and largely implemented with all major elements of the new structure scheduled to be operational in fiscal year 2001.
- The IRS Business Systems Modernization Program concluded significant aspects of its planning phase and completion of its revised business vision, technology strategy and technical architecture. It also developed a new strategic-level planning process designed to reconcile many critical and competing priorities and initiatives with its resource limitations.
- In FY 2000, ATF continued the development of the National Revenue Center infrastructure by introducing system enhancements that allowed the five independent databases at the Center to communicate with each other. Ultimately, this will increase revenue collection efficiency by decreasing the possibility of manual errors in submitting the return and payment. In addition, the new system will allow comparison with data collected from monthly statistical reports to insure that the proper amount of tax has been paid.

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
83	**27 (33%)**	34 (41%)	22 (27%)	22 (27%)

Treasury Objective: Improve and Simplify Tax Laws and Administrative Guidance, Consistent with Other Important Tax Policy Goals

Key Trends

For the second year in a row, complexity of tax law was identified as the number one problem facing taxpayers, and the root-cause of many of the other tax compliance problems. This was the finding of the second annual report of the Internal Revenue Service (IRS) National Taxpayer Advocate Service (TAS) when it compiled a list of the twenty most serious problems encountered by taxpayers. The list captures the opinion of those working with tax laws and guidance and their impact on the taxpayer. It was compiled by analyzing TAS casework data along with responses from four Citizen Advocacy Panels, 43 external stakeholder groups, and internal IRS stakeholders identifying and ranking the top problems. Respondents reported so many issues relating to complexity, TAS decided to list complexity this year as two problems -- separating concerns that pertain to individuals from those that affect business.

Treasury Programs

Tax law is a product of the legislative process. Thus, improvement and simplification of the tax code must be through agreement between the Congress and the Administration carefully balancing multiple policy objectives.

Treasury issues guidance that interprets the various provisions of the Internal Revenue Code and provides additional rules and regulations with respect to specific Code provisions. As the bureau responsible for administering the Code, the IRS is the primary drafter of most regulations published, and coordinates their development within Treasury. In addition, other guidance is published to interpret and explain the tax law. Such guidance helps taxpayers better understand and meet their tax obligations and plan their transactions with a clear understanding of the tax law in order to avoid uncertainty and controversy. This is increasingly important at a time when the complexity of tax law is perceived as a burden on taxpayers and an impediment to compliance with the tax law.

Under the IRS Restructuring and Reform Act (RRA) of 1998, IRS is required to provide an annual report to the Congress analyzing the sources of complexity in the administration of Federal tax laws. The report includes recommendations for reducing complexity of the administration of Federal tax laws and for repeal or modification of any provision the Commissioner believes adds undue and unnecessary complexity to these laws. The RRA also required that a tax complexity analysis accompany any committee report of legislation that directly or indirectly amends the Internal Revenue Code and which has widespread applicability to individuals or small businesses. This analysis is prepared by the staff of the Joint Committee on Taxation, in consultation with Treasury and the IRS.

FY 2000 Key Accomplishments and Performance Results

Key Accomplishments

- Treasury continued actions to combat the proliferation of corporate tax shelters.

- An Office of Tax Shelter Analysis was established within the Large and Mid-Size Business Division of the IRS to coordinate its efforts to combat tax shelters.

- A major accomplishment of the year was a Treasury-led bipartisan effort to develop and enact legislation to repeal foreign sales corporations (FSCs) and revise the taxation of extraterritorial income. This legislation, carefully drafted to address the objections raised by the World Trade Organization (WTO) Appellate Body ruling regarding the FSC provisions, has important consequences for jobs, the national economy, and international relations with some of our most important trading partners. Passage of this legislation was absolutely essential to avoiding the potential imposition by the European Union of significant sanctions on American industries and to satisfying our obligations to the WTO.

- Work on efforts to modernize and improve the IRS's administration of tax laws continued. Simplifying changes and revisions were made to improve and expand electronic filing, implement protections on certain penalty and interest provisions, make a difference in the lives of innocent spouses, and strengthen taxpayer rights in collection and audit situations.

- The IRS National Taxpayer Advocate continued efforts to improve and simplify tax administration. The Advocate's FY 2000 Annual Report to Congress included 37 recommendations for legislative actions to reduce or eliminate problems taxpayers encounter.

- Treasury studies and reports regarding the operation and improvement of the Federal tax system addressed tax benefits for adoption, taxpayer confidentiality and disclosure provisions, depreciation recovery and methods, and interest and penalty provisions.

Performance Results

Following is a report on the performance targets in Treasury's FY 2000 Performance Plan related to this objective:

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
2	**0**	1 (50%)	1 (50%)	0

Departmental Offices Performance Goal: *Promote the development and implementation of effective tax policies*

Performance Measure: Simple, Fair, and Efficient Taxation

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	--	Qualitative Progress	See Below

Explanation of Measure: This is a qualitative measure of progress in simplifying the tax code, and making it more fair and efficient.

Explanation of Performance: In its efforts to simplify, and improve taxation, the Office of Tax Policy (OTP), in collaboration with the IRS, annually identifies and publishes the Guidance Priorities List (GPL), a list of tax guidance priorities for completion each year. These projects are identified in response to newly enacted legislation, court opinions, changes in the market, changes in taxpayer behavior, and comments from taxpayers or their representatives. The GPL ensures that resources for published guidance focus on the highest priority projects. The GPL also serves as a means of communicating guidance priorities to taxpayers. Additional critical guidance is quickly developed and issued to address problems not anticipated in the annual GPL. Over 400 items of tax guidance were issued in FY 2000.

Bureau of Alcohol, Tobacco and Firearms Performance Goal: *Develop National Revenue Center infrastructure, collect all the revenue rightfully due, and use electronic commerce*

Performance Measure: Reduction in Regulatory Burden (Reduction, in Total Hours, in Time Required by Industry to Comply with ATF Regulations)

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	963,570	484,600	482,000	6,922

Explanation of Measure*:* This measure reflects the reduction of time from prior-year levels required to comply with ATF regulations, including the preparation of forms and record-keeping requirements. Burden is also defined as the number of forms required. This measure is tracked annually based on the number of forms and record keeping requirements.

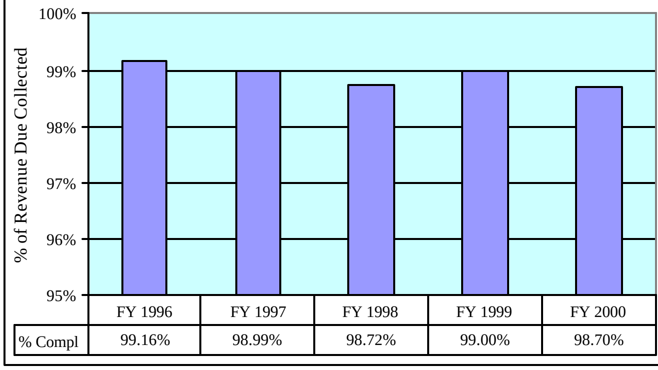
Explanation of Shortfall: Based on unforeseen changes in the laws and regulations, ATF was unable to meet the planned burden reduction performance measure. An example of an unforeseen change impacting the goal occurred when Section 9302(j), of the Balanced Budget Act of 1997, called for a floor stocks tax on all cigarettes held for sale on January 1, 2000. The requirement to make a record of physical inventories or a record inventory with appropriate source documentation, resulted in an increase burden hours of 1.5 million.

Treasury Objective: Increase Compliance with Tax and Trade Laws

Key Trends

Voluntary filing, payment and reporting compliance are the cornerstone of America's revenue collection system. Compared with many other countries, U.S. taxpayers as a group are highly compliant with the Nation's tax code and trade laws. The U.S. Customs Service (Customs) estimates a very high compliance rate in revenue payments, i.e., the total import revenue amount collected as a percentage of the amount that is due (see Fig. 11).

Fig. 11: U.S. Customs Revenue Compliance Rate



The Internal Revenue Service (IRS) and the Bureau of Alcohol, Tobacco and Firearms (ATF) are working to develop similar outcome measures of compliance for their revenue collection programs. In FY 2000, the IRS began to identify specific strategic measures addressing payment, filing and reporting compliance for its major customer segment. These compliance measures will be refined and finalized in FY 2001.

Treasury Programs

The IRS's mission is to provide America's taxpayers with top quality service by helping them to understand and meet their tax responsibilities and by applying the tax laws with integrity and fairness to all. The IRS's strategy is to emphasize customer service programs at each phase of the filing experience to increase voluntary tax law compliance.

- Pre-filing assistance in FY 2000 included improved telephone service to answer questions 24 hours a day, seven days a week, increased hours and service at walk-in locations, and rewriting the most frequently used taxpayer notices to make them easier to understand and easier to complete.

- Filing and assistance programs focused on expansion of electronic filing and payment alternatives and return processing accuracy and the timeliness of refunds.

- Post-filing activities included dedicated "Problem Solving Days" to assist taxpayers with problems and customer satisfaction surveys of the Examination, Collection, Employee Plans, Exempt Organizations, Customer Service, and Appeals functions to identify areas for further improvement. In accomplishing this strategy, the IRS must make certain that taxpayer privacy rights are protected as IRS explores more efficient and effective means to deliver service and enforce compliance. In FY 2000, IRS also slowed the growth of accounts receivable, resuming collection efforts that had fallen off in FY 1999.

Customs, faced with the challenge of rapidly expanding trade, focuses on "informed compliance" by providing commodity-specific public outreach seminars, publications, and an Internet home page. To enhance revenue compliance, Customs sponsors various meetings and seminars that importers are invited to attend. Customs also provides special programs that provide importers with the necessary information to transmit compliant entries, even before the merchandise is shipped to the United States. In addition, Customs provides international outreach efforts including conferences designed to inform other nations of the United States' trade laws.

ATF collects revenue through alcohol, tobacco and firearms/ammunition excise taxes, special occupational taxes, and National Firearms Act enforcement regarding transfer taxes and various licenses and permit fees. These taxes and fees provide approximately $12.4 billion in annual revenue to the Federal Government. The taxes and fees are collected through ATF's National Revenue Center.

FY 2000 Key Accomplishments and Performance Results

Key Accomplishments

***IRS*:** During FY 2000, IRS made significant progress in all aspects of their organizational modernization effort. Of particular significance were the:

- Continued training and implementation of the many specific provisions of the IRS Restructuring and Reform Act of 1998;
- Design of the new organizational structure was completed and largely implemented with all major elements of the new structure scheduled to be operational in fiscal year 2001;
- IRS Business Systems Modernization Program, which concluded significant aspects of its planning phase and completion of its revised business vision, technology strategy and technical architecture by the end of calendar year 2000;
- Completion of the design and implementation of a new balanced measurement system; and,
- Development of a new strategic-level planning and budgeting process designed to reconcile many critical and competing priorities and initiatives with its resource limitations.

ATF: In FY 2000, ATF continued the development of the National Revenue Center infrastructure by introducing system enhancements that allowed the five independent databases at the Center to communicate with each other. Ultimately, taxpayers will be able to access the system via the Internet, call up a form and submit the form and the payment electronically. This will increase revenue collection efficiency by decreasing the possibility of manual errors in submitting the return and payment. In addition, the new system will allow comparison with data collected from monthly statistical reports to insure that the proper amount of tax has been paid.

Performance Results

Following is a report on the performance targets in Treasury's FY 2000 Performance Plan related to this objective:

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
79	**25 (32%)**	33 (42%)	21 (27%)	21 (27%)

Customs Service Performance Goal: *Stimulate and protect the economic interests of the United States by maintaining a sound trade management system which maximizes compliance with import and export laws and moves legitimate cargo efficiently*

Performance Measure: Compliance Rate -- Revenue

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
98.99%	98.72%	99.00%	99.06%	98.70%

Explanation of Measure: This measure is an estimate of the percentage of total import revenue due to Customs that is actually collected.

Explanation of Shortfall: Customs continues to address ways to further close the revenue gap though compliance measurement and improvement in financial systems. Because the data comes from a random sample, slight deviations can be expected.

Performance Measure: Compliance Rate -- Imports

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
81%	81%	82%	90%	**90%**

Explanation of Measure: This measure is an estimate of the level of overall compliance with trade laws and regulations for imported goods. It is presented as the percentage of all cargo entry lines with no major discrepancies with trade laws and regulations. Compliance is determined by an intensive examination and analysis of a random sample of merchandise entering the country on an annual basis.

Performance Measure: Compliance Rate -- Primary Focus Industries

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
83%	84%	85%	92%	91%

Explanation of Measure: This measure is the percent of cargo entry lines in "primary focus industries" (PFIs) with no major discrepancies with trade laws and regulations. It is calculated using a weighted average of compliance rates for imported goods in the PFIs. PFIs are those trade areas that Customs gives priority attention to because of such factors as revenue, quota, and domestic industry impact. These industries include advance information displays, agriculture, automobiles, automobile and truck parts, bearings, board level products, fasteners, production equipment, steel mill products, telecommunications and apparatus, textiles and textile products, and wearing apparel. The measure is calculated by dividing the estimated total number of entry lines of the industries into the estimated total number of compliance entries.

Explanation of Shortfall: The measure for level of trade compliance for PFI's are based on statistically valid random examination of cargo. Minor fluctuations of data are normal and to be expected. Customs has managed to maintain compliance levels though innovative programs, despite a huge surge in trade volume.

Internal Revenue Service Performance Goal: *Service to all taxpayers (Business Results) - Agency-wide Key Performance Indicators*

Performance Measure: Percent of Calls to Toll-Free Telephone Assistance Lines Answered by Customer Assistor Personnel

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	69.7%	53.3%	58.0%	**60.6%**

Explanation of Measure: The number of calls answered (less those calls taxpayers abandon while in the queue waiting for the next available assistor in Customer Service Toll-free, Automated Collection System, and the Centralized Inventory and Distribution System compared to the total number of calls attempted (demand).

Performance Measure: Accuracy Rate for Answers to Questions Regarding Tax Law on the Toll-Free Telephone Line

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
96.1%	93.8%	74.1%	80.0%	72.6%

Explanation of Measure: Accuracy of Tax Law information provided to taxpayers through the toll-free telephone assistance program as determined by subsequent review.

Explanation of Shortfall: The decline in this measure can be attributed to the centralization of the quality review function with significant decreases occurring as each new product has been added. Overall results for all customer service product lines show a decrease from 87% in FY 99 to 84% in FY 00. An analysis of the toll free area shows the mix and complexity of calls has changed giving some indication for the declines in quality scores. A new measure was developed during FY 2000: Correct Response Rate. This measure is designed to eliminate internal errors not impacting the outcome of the call to the customer. For tax law calls, the rate using September 2000 data stood at 80% (meeting target) and indicates quality for the customer is considerably better than the old overall quality score measure in which internal errors were included. As the Correct Response Rate measure indicates the target is being met, improvement actions already in place under the centralization effort will continue.

Performance Measure: Average Overall Quality Rating of Field Collection Cases Reviewed

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	86%	86%	83%

Explanation of Measure: The average Collection Quality Measurement System (CQMS) score of all collection cases sampled and reviewed during a given period (e.g., quarter) for a Collection organizational unit.

Explanation of Shortfall: Collection's declining performance in the CQMS measure was caused by a failure to meet any one, several, or all of the standards measured in this category, thus resulting in a lower overall composite score. These standards include a "Timeliness of Work Category." Analysis of the category revealed that a frequently used reason code for problems was "Lapse Prior to Assignment to Revenue Officer". This may be due to managers not having available employees to assign work to due to the detailing of staff. For example, the time Collection personnel were detailed out to perform other activities increased by 9.3% through September 2000 as compared with the prior year's experience. These other activities include assisting taxpayers who walk into the office, working the counter at taxpayer assistance centers and providing experienced employees for the IRS "Problem Solving Days." Plans to reverse this trend include additional staffing and continued training. FY 2001 plans show a projected increase of 3% based upon improvement opportunities that include better utilization of Collection Quality Measurement System data, improvement in the content and delivery of the Internal Revenue Manual for employees and target training for employees and managers.

Performance Measure: Average Overall Quality Rating of Field Examination Cases Reviewed

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	65%	68%	57%

Explanation of Measure: The score awarded to a reviewed Field Examination case by a third-party reviewer using the Examination Quality Measurement System (EQMS) quality standards.

Explanation of Shortfall: The shortfall resulted, in part, from the IRS's inability to meet new quality standards mandated by the IRS Restructuring and Reform Act of 1998. Also, concerns regarding sampling methodology were addressed to ensure valid samples of cases reviewed, thus giving a truer indication of performance than in the past. Improvement in three areas -- Audit Scope, Relations/Professionalism, Workpapers/Reports -- will substantially impact performance over the long term.

Performance Measure: Average Overall Quality Rating of Office Examination Cases Reviewed

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000 Target	FY 2000 Performance
--	--	70%	72%	58%

Explanation of Measure: The score awarded to a reviewed Office Examination case by a third-party reviewer using the Examination Quality Measurement System (EQMS) quality standards.

Explanation of Shortfall: As with Field Examination Quality, the shortfall resulted, in part, from the IRS's inability to meet new quality standards mandated by the IRS Restructuring and Reform Act of 1998. Also, concerns regarding sampling methodology were addressed to ensure valid samples of cases reviewed, thus giving a truer indication of performance than in the past. Improvement in three areas -- Audit Scope, Relations/Professionalism, Workpapers/Reports -- will substantially impact performance over the long term.

Internal Revenue Service Performance Goal: *Service to all taxpayers (Business Results) - Submission Processing*

Performance Measures:	**FY 1997 Performance**	**FY 1998 Performance**	**FY 1999 Performance**	**FY 2000**	
				Target	**Performance**
Percent Refunds Made Timely: **Paper Filings in 40 Days or Less** ***E-File* Filings in 20 Days or Less**	-- --	85.5% 98.7%	83.2% 99.6%	85% 99%	**90%** **100%**
Percent Returns Processed Accurately: **Paper Filings** **In Distributed Input System**	94.6%	94.6%	93.9%	93.9%	93.8%
In Filing Code and Edit Process	95.2%	96.1%	96.8%	96.8%	96.4%
***E-File* Electronic Returns Processing**	99%	99%	99%	99%	**99%**
Percent of Tax Return Notices to Taxpayers Issued Accurately	98.6%	98.4%	97.4%	97.4%	**97.7%**
Individual Returns Filed through Electronic Returns Originators (in millions)	14.1	17.7	21.2	23.7	**25.2**
***Telefile* Touch-Tone Phone System Filings (in millions):** **Eligible Qtrly Payroll Returns** **Individual Tax Returns**	.1027 4.7	.5819 6.0	.9157 5.7	.9622 5.9	.8521 5.2
Percent of Individual Returns Filed Electronically	15.9%	19.8%	23.4%	26.5%	**28.0%**
Percent of Dollars Received Electronically	40.6%	67.7%	72.1%	75.3%	**75.4%**

Explanation of Measure: These measures concern IRS's activities to develop, publish, and distribute tax forms, publications and instructions to taxpayers; receive and process paper and electronic income tax returns and supplemental documents; process and account for tax revenues; process information returns such as wage, dividend, and interest statements; provide for payment of refunds and issue notices that payments are overdue; identify possible non-filers for investigation; and assist in the selection of tax returns for audit. They also cover Electronic Tax Administration, including receipt of electronically filed tax returns, information documents, and taxes due; electronic refund payments to taxpayers; and electronic communications between the IRS and taxpayers or third parties.

Explanation of Shortfalls:

Percent of Returns Processed Accurately: Paper Filings in Distributed Input System and Paper Filings in Filing Code and Edit Process (These two measures address the accuracy rate of tax returns processed through the Distributed Input System (DIS) without error for posting to the Individual Master File, and the accuracy rate of tax returns processed through the code and edit process without error for posting to the Individual Master File): The goals for accuracy in paper filings (both DIS and Code and Edit processes) were missed by a small margin due to a programming problem with the error codes which resulted in the error resolution system (ERS) charging errors incorrectly. The error data was examined and errors that had already been charged could not be removed. To prevent further errors the ERS examiners were provided with new instructions to change coding to prevent additional errors from being incorrectly charged.

***Telefile* Touch-Tone Phone System Filings (in millions) for Eligible Quarterly Payroll Returns** (This measure refers to the number of employer's Quarterly Payroll Reports [Forms 941] filed through TeleFile)**:** The decline in the number of eligible filers of Quarterly Forms (Form 941) can be attributed to address changes, an increase in the tax liability (making them semiweekly depositors no longer eligible for 941 Telefile), and problems with the print vendor/mail out process. Electronic Tax Administration is currently conducting further research on the issue of declining volumes for this program and has secured a contractor to conduct an analysis of the program. Results are expected by June 30, 2001, and would be used to determine actions to improve performance.

***Telefile* Touch-Tone Phone System Filings (in millions) for Individual Tax Returns** (This measure refers to the number of individual tax returns filed using a touch-tone telephone to reach the TeleFile system)**:** In addition to the common reasons why Telefile was not used (no current address on file or benefits are claimed that make the taxpayer ineligible) in Processing Year (PY)1999 (1/1/00 through 4/15/00) both student loan interest deductions and education credit made many more taxpayers ineligible for Telefile. In PY 1999 there were 1.7 million taxpayers who were eligible for Telefile but filed another tax form in order to take advantage of one of the new tax benefits. In addition, the growth of e-file has had an impact on Telefile with approximately 1.4 million of the eligible Telefile taxpayers using either their personal computer or a practitioner to e-file their tax form. The strategy for FY 2001/2002 shows Telefile participation with a slight decline as more taxpayers shift to other types of electronic filing.

Internal Revenue Service Performance Goal: *Service to all taxpayers (Business Results) - Telephone and Correspondence*

Performance Measures:	FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
				Target	Performance
IRS Toll Free Telephone Assistance - Percent Calls Assistors Answer					
All Assistance Lines	--	69.7%	53.3%	58.0%	**60.6%**
Auto. Collections System	--	--	80.7%	80.0%	78.9%
Percent Answers Accurate					
Tax Law Questions	96.1%	93.8%	74.1%	80.0%	72.6%
Account Status Inquiries	91.9%	87.9%	81.7%	63.0%	60.0%
Percent Scheduled Work Period Hours Delivered/Met at Toll Free Sites	--	--	24.7%	40.0%	**45.5%**
Percent Calls Resolved on Initial Inquiry	--	--	77%	79%	**80%**
Auto. Collection System Function - Percent Accuracy in Account Information Provided	--	--	68.7%	68%	63%
Weeks to Close a Case	--	--	60.7	35.0	58.0
Percent Cases Open for More Than 16 Months -					
Taxpayer Delinquent Accts	--	--	--	Baseline	11.52
Tax Delinquent Investigations	--	--	--	Baseline	10.04
Service Center Examination Function - Percent of Cases over 60 Days Old	--	--	--	Baseline	74.3%
Percent Accuracy in Service Center Examination and ASFR Cases	--	--	90.7%	82%	72.8%
Number of Exams Closed (in thousands)	--	--	722.6	484.0	324.6

Explanation of Measure: These measure assessed operations of district and service center toll-free operations, which provided responses to taxpayer requests received via telephone; performed adjustments and taxpayer relations functions which received and analyzed taxpayer inquiries initiated by correspondence; initiated contacts with taxpayers to resolve accounts before District Office action was required; prepared and issued letters proposing assessments; issued statutory notices of deficiency; operated the Automated Collection System (ACS); and determined taxpayers' correct income levels and corresponding tax liabilities.

Explanation of Shortfalls:

IRS Toll Free Telephone Assistance – Percent Calls Assistors Answer for Automated Collection System (This measure refers to the percentage of calls to ACS toll-free telephone lines that are answered): The slight decline in the level of service in ACS is attributed to the increase in call hand time (talk, hold, wrap-up) for calls received and the changing customer needs. Calls received are more complex and take longer to resolve as evidenced by the increase in the overtime call time and the decreases in productivity. Planned increases in FY 2001 to the ACS level of service are supported by increases in technology, such as updated decision models, enhanced telephone equipment, additional collection support systems, and the implementation of site specialization.

Percent Answers Accurate for Tax Law Questions (This measures refers to the accuracy rate for answers to questions regarding tax law on the toll free telephone line): The decline in this measure can be attributed to the Centralization of Quality Review with significant decreases occurring as each new product has been added. Overall results for all customer service product lines show a decrease from 87% in FY 1999 to 84% in FY 2000. An analysis of the toll-free area shows the mix and complexity of calls has changed giving some indication for declines in quality scores. A new measure was developed during FY 2000: Correct Response Rate. This measure is designed to eliminate internal errors not impacting the outcome of the call to the customer. For Tax Law calls, the rate using September 2000 data stands at 80% which does indicate quality for the customer is considerably better than the overall quality score when internal errors are included. As the Correct Response Rate measure indicates the target is being met, improvement actions already in place under the centralization effort will continue.

Percent Answers Accurate for Account Status Inquiries (This measure refers to the accuracy rate for answers to questions regarding taxpayer accounts provided to taxpayers through the toll-free telephone assistance program): Overall results for quality in all product lines decreased in FY 2000. Significant resources and activities were directed at improving quality with few results. Analysis indicates that the mix and complexity of calls has changed, which is some indication of the reason for quality declines. IRS web-based applications have proven to reduce the telephone demand leaving calls that do come through as more complex. Within the quality arena, examination has been done on cases which indicates that while the contact fails the quality standards, there is improvement in giving the taxpayer the correct response. In FY 2001, call specialization will be implemented, which is intended to narrow the scope and depth of knowledge required by the assistor. In addition, IRS plans to bring in a contractor to assist in determining the best quality processes for its customer products.

Automated Collection System Function – Percent Accuracy in Account Information Provided (This measure refers to the accuracy rate on calls to ACS assistors where account information was provided): Overall results for quality in all Customer Service product lines declined in FY 2000 due to increased call complexity. An analysis of calls coming in for all product lines shows that most taxpayers get their answers using the web-based applications and resort to calling the IRS with complex issues. In FY 2001, the IRS plans to narrow the scope and depth of knowledge required by the tax examiner with specialization training. In addition, plans are to perform a benchmarking and quality study using an outside contractor to determine the best quality processes for all customer service products.

Automated Collection System Function – Weeks to Close a Case (This measure refers to the number of weeks to close an ACS case): The cycle timeliness results decreased with the focus on closing old cases, which take greater time to work versus new ACS cases. In addition, low priority cases in the ACS inventories which do not rise to the top when employees are processing work under the "next case" concept (system determines highest priority work, not by First In-First Out) causes cycle time to increase until cases are removed systemically. In FY 2001, under the new Wage and Investment Operating Division, cycle timeliness is expected to remain at the 2000 level with a look toward identifying actions that can be taken to increase the level in FY 2002.

Service Center Examination Function – Percent Accuracy in Toll-Free Account Information Provided (This measure refers to the accuracy rate of information provided to taxpayers through the Service Center Examination and Automated Substitute for Returns programs): Decreases in quality can be attributed to the change in review methodology effective in July 1999. The previous methodology (% correct) resulted in a higher quality score, while moving to the service center standard of identifying correct/incorrect review resulted in lower quality rates, which were Anticipated for start-up. The timeliness aspect of the quality measurement also caused lower score, and as a result will be removed from the equation since timeliness does not denote the quality of the work product and will be tracked as a separate measure in FY 2001. There are no additional actions planned to improve performance in this Service Center area as a result of this measure because the reason for the lower score was a change in measurement methodology rather than performance.

Service Center Examination Function – Number of Exams Closed (in thousands) (This measure refers to the number of closures produced in Service Center Examination): Fewer starts in FY 1999 led to decreases in closures, dollars recommended, and average days to close in FY 2000. The carryover inventory level at the beginning of FY 2000 was substantially lower than that of FY 1999. This reduction in carryover resulted in fewer cases being closed which equated to fewer dollars being recommended for collection. In addition, the smaller carryover inventory contributed to the average days to close. The Earned Income Tax Credit (EITC) work (90% of the Service Center exam work) rectification program, which required IRS Form 8862 to be filed with the return, also had an impact on the work available in Service Center exam, since those taxpayers who did not properly file the form 8862 were treated as math error cases and were not included in the Service Center exam inventory. Due to the nature of the reasons for the shortfall, no improvement actions are necessary to address the results.

Internal Revenue Service Performance Goal: *Service to all taxpayers (Business Results) - Taxpayer Advocate Service*

Performance Measures:	FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
				Target	Performance
Average Time to Close a Case in the Taxpayer Advocate Service (Days)	--	--	--	Baseline	50.0
Average Quality Rating of Taxpayer Advocate Service Cases Reviewed	--	--	--	Baseline	65.3
Number of Cases Closed in the Taxpayer Advocate Service	--	--	--	Baseline	237,885

Explanation of Measure: These measures reflect activities of the Taxpayer Advocate function, which provides an independent taxpayer advocate within the IRS, ensuring that the individual interests of the taxpayer are represented in all aspects of the policies and procedures of the IRS, resolving taxpayers' problems through prompt identification and settlement, preventing future problems through prompt identification of the underlying causes of taxpayers' problems, identifying and raising the awareness of systemic issues impacting the operating divisions.

Internal Revenue Service Performance Goal: *Service to all taxpayers (Business Results) - Examination*

Performance Measures:	**FY 1997 Performance**	**FY 1998 Performance**	**FY 1999 Performance**	**FY 2000**	
				Target	**Performance**
Average Overall Quality Rating by Third Party Reviewer on Reviewed Examination Cases					
Field Examinations	--	--	65%	68%	57%
Office Examinations	--	--	70%	72%	58%
Number of Returns Exams Closed –					
Individual 1040 Tax Returns					
Income Less than $100,000	--	375,100	289,725	206,308	187,891
Income More than $100,000	--	103,400	94,759	77,329	63,217
With Business or Farming Schedule C or F	--	121,100	102,482	77,912	67,110
Corporations with Assets -					
Less than $10 Million	--	34,300	27,481	20,037	17,580
$10 Million and Over	--	9,200	10,287	11,110	8,978
Percentage Cases Where Processing Time is Longer Than:					
Field Examinations (9 Months)	--	--	41%	38%	43%
Office Examination (6 Months)	--	--	44%	42%	45%

Explanation of Measures: These measures relate to encouragement of voluntary compliance with the internal revenue laws through the determination of the correct tax liability by the selective examination of tax returns, the correction of errors, and the explanation of these corrections to taxpayers.

Explanation of Shortfalls:

Average Overall Quality Rating by Third Party Reviewer on Reviewed Examination Cases – Field Examination: Quality results were relatively stable during the year. Improvement opportunities were not realized due in part to standards related to the IRS Restructuring and Reform Act of 1998 procedures not being met. Also, concerns regarding the sampling were addressed to ensure valid samples of cases were reviewed. Analysis of the data reflects that focused improvement in 3 standards, Relations/Professionalism, Audit Scope, and Work Papers/Reports, will substantially impact performance over the long term.

Average Overall Quality Rating by Third Party Reviewer on Reviewed Examination Cases – Office Examination: Quality results were relatively stable during the year. Improvement opportunities were not realized due, in part, to standards related to RRA 98 procedures not being met. Also, concerns regarding the sampling were addressed to ensure valid samples of cases were reviewed. Analysis of the data reflects that improvements in 3 standards: Relations/Professionalism, Audit Scope and Work Papers/Reports will substantially impact performance over the long term.

Number of Returns Exams Closed (all measures under this category): The resources devoted to modernization (including design team, task groups, National Treasury Employees Union (NTEU) negotiations, etc.) caused a significant drain on available to direct exam work. In addition, the resources devoted to the filing season exceeded projections. Every hour devoted to the filing season detracted from the ability to meet examination objectives. An increase in closures for FY 2001 is projected to range between 5% and 10% due to improvement opportunities such as: priority work being directed to identified areas of noncompliance, centralization of exam selection, reduction of time spent by examination staff on training and details to Customer Service, providing training to managers on inventory management, and the hiring of new agents.

Corporations with Assets (all measures under this category) (These measures refer to the number of field and office examinations closed on corporations with assets less than $10 million, and the number of field and office examinations closed on corporations with assets $10 million and over): The resources devoted to modernization (including design teams, task groups, and NTEU negotiations) caused a significant drain on resources that could be devoted to direct exam work. In addition, the resources devoted to the filing season exceeded projections. Every hour devoted to the filing season detracted from the ability to meet the stated objectives. This measure will change in FY 2001 to reflect the dollar limitations imposed on the Large and Midsize Business, and Small Business and Self Employed units, with improvement opportunities such as directing priority work to targeted areas of noncompliance, reduction of time spent on training and detail out activities to allocate more direct time activities in this area, and providing additional training to managers on inventory management techniques.

Percentage Cases Where Processing Time is Longer than Target (all measures under this category) (These measures refer to the percentage of field examination cases taking longer than 9 months to process, and the percentage of office examination cases taking longer than 6 months to process): The Examination function had no hiring to fill staff attrition during FY 2000. As vacancies occurred there were no staff backfills to cover gaps. Those cases that were closed took longer to close. The longer time to work the cases was caused by lapsed time (employees pulled off for filing season support duties, task teams in support of modernization, etc.), and the fact that upon return the employee had to spend time re-familiarizing themselves with the facts of the case prior to being able to make decisions. FY 2001 Program Plans show a projected decrease of 5% in the overage rate from opportunities for improvement such as increasing the amount of direct time spent on case activity, training for managers in inventory management and improvement of scheduling practices.

Internal Revenue Service Performance Goal: *Service to all taxpayers (Business Results) - Appeals*

Performance Measures:	**FY 1997 Performance**	**FY 1998 Performance**	**FY 1999 Performance**	**FY 2000**	
				Target	**Performance**
Appeals Cycle Time (Days)	--	--	--	Baseline	222
Total Disposals	--	--	--	Baseline	54,986

Explanation of Measure: These measures establish baseline measurement criteria for the IRS Appeals activity, which provides a channel for impartial case settlement prior to tax cases being docketed in a court of law

Internal Revenue Service Performance Goal: *Service to all taxpayers (Business Results) - Collections*

Performance Measures:	FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
				Target	Performance
Field Collection Activities					
Average Overall Quality Rating on Cases Reviewed	--	--	86%	86%	83%
Cases Closed on Delinquent Taxpayer:					
Accounts	--	1,319,491	1,029,706	751,745	**967,211**
Investigations	--	255,862	168,271	186,411	144,764
Average Percentage of Field Collection Cases In Process for 16 Months or Longer in the Previous 12 Months	--	15.9%	19.0%	21.7%	24.9%
Quality Score on Accuracy and Professionalism of Service Provided to Taxpayers Entering IRS Offices	--	--	--	Baseline	50%
Percentage of Offers in Compromise Processed Within 6 Months	64.0%	60.5%	51.4%	51.4%	37.8%

Explanation of Measures: These measures reflect efforts to collect unpaid tax accounts and secure delinquent returns; protect the Government's interest in litigation proceedings; develop and implement programs to prevent tax accounts from becoming delinquent; provide resources to service walk-in taxpayers; assist taxpayers in resolving tax account problems; help taxpayers to comply with tax laws by educating through outreach; and take appropriate enforcement actions when warranted.

Explanation of Shortfalls:

Field Collection Activities -- Average Overall Quality Rating of Field Collection Cases Reviewed: Collection's declining performance in the Collection Quality Measurement System (CQMS) measure was caused by a failure to meet any one, several, or all of the standards measured, thus resulting in a lower overall composite score. These standards include a "Timeliness of Work Category". Analysis of the category revealed that a frequently used reason code for problems was "Lapse Prior to Assignment to Revenue Officer". This may be due to managers not having available employees to assign work to due to the detailing of staff. For example, the time Collection personnel were detailed out to perform other activities increased by 9.3% through September 2000 as compared with the prior year's experience. These other activities include assisting taxpayers who walk into the office, working the counter at taxpayer assistance centers and providing experienced employees for the IRS "Problem Solving Days." Plans to reverse this trend include additional staffing and continued training. FY 2001 plans show a projected increase of 3% based upon improvement opportunities that include better utilization of CQMS data, improvement in the content and delivery of the IRM and target training for employees and managers.

Cases Closed on Delinquent Taxpayer Investigations: There are several internal factors that impacted the overall number of case dispositions. Decreases in staffing and increases in the number of employees providing assistance to other functions have resulted in fewer employees being available to work Collection cases. In addition, a shift in Collection's workload priorities, halfway through FY 1999, also impacted the indicator. TDI dispositions, although important, are not Collection's main focus. Providing quality, timely service to taxpayers that have contacted Collection in attempts to resolve their accounts are serviced first. A 2% increase is projected for FY 2001 by maximizing the use of the filing season resources from other areas, allowing for an increase in the direct time spent on Revenue Officer TDI inventories.

Average Percentage of Field Collection Cases in Process For 16 Months or Longer During the Previous 12 Months: Performance in the overage measure has steadily declined over the past two years. Decreases in staffing, along with significant increases in the number of Field Collection employees providing assistance to other functions such as customer service, resulted in fewer employees being made available to work collection cases. In addition, performance has been impacted by the implementation of various provisions of RRA 98 that require additional time be granted to the taxpayer prior to collection taking certain actions. The shift in work priorities that Collection made in FY 1999 continued to have an impact on case processing. A 2% decrease is projected in FY 2001 with improvement opportunities such as maximizing the use of filing season resources from other areas to minimize diversion of field compliance personnel, implementation of a trust fund compliance strategy, development of risk based end-to-end payment compliance and analysis of field compliance support activities. FY 2001 shows a projected decrease of 5% resulting from improvement opportunities such as increasing the amount of direct time spent on case activity, training for managers in inventory management and improvement of scheduling practices.

Percentage of Offers in Compromise Processed Within 6 Months (This refers to the percentage closed within 6 months of receipt as a result of acceptance, rejection or withdrawal): Several changes have occurred in the Offers in Compromise (OIC) program that impacted performance over the fiscal year. Collection increased its outreach efforts, changed the offer form and instructions, made them available on the internet, and implemented the provision of RRA 98 that created an additional basis for compromise. All of these changes made the offer program more visible resulting in more offers in inventory without an increase in staffing to compensate. Assistance provided to other functions by Collection employees also had an impact on the staff available to work the offer inventory. Continued roll-out of enhancements for centralized OIC processing is expected to have a major impact on improving future performance by providing advancements in quality, timeliness and efficiency. In addition, plans are to conduct outreach efforts to improve the quality of offers submitted decreasing processing delays and direct time expended on the front end.

Internal Revenue Service Performance Goal: *Service to all taxpayers (Business Results) - Tax Exempt And Government Entities*

Performance Measures:	FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
				Target	Performance
Processing Applications and Issuing Determination Letters					
Average Days to Process Applications for:					
Tax Exempt Organization Status	85	85	92	92	**81**
Qualified Employee Pension Plan	132	118	129	145	**142**
Quality Scores in Determination					
Tax Exempt Organization Status	--	--	--	Baseline	86
Qualified Employee Pension Plan	--	--	--	Baseline	78
Examination Process					
Average Number of Days to Examine					
Exempt Organizations Return	273	251	238	238	304
Employee Plan Return	192	193	191	200	**196**
Quality of Exam Casework on					
Exempt Organizations	--	--	--	Baseline	85
Employee Plans	--	--	--	Baseline	81
Number Exams Closed					
Exempt Organizations	--	--	--	Baseline	7,237
Employee Plan	--	--	--	Baseline	11,843
Number of Determination Cases Closed					
Exempt Organizations	--	--	--	Baseline	81,395
Employee Plans	--	--	--	Baseline	28,066
Staff Days Applied to Exams Conducted Under the Coordinated Examination Program					
Exempt Organizations	--	--	--	Baseline	51.9
Employee Plans	--	--	--	Baseline	18.7
Staff Years Applied to Education and Outreach Activities					
Exempt Organizations	--	--	--	Baseline	21.7
Employee Plans	--	--	--	Baseline	14.7

Explanation of Measure: These measures represent service to Tax Exempt Customers including Employee Plans (EP), Exempt Organizations (EO) and Government Entities. The customer organizations represent a large economic sector and are governed by complex, highly specialized provisions of the tax law designed to ensure that the entities fulfill the policy goals their exemption was designed to achieve. The customers range from local community organizations and municipalities to major universities, large pension funds and government entities. Government entities include outstanding tax-exempt bond issuances, state and local entities and federally recognized Indian Tribes.

Explanation of Shortfalls:

Examination Process – Average Number of Days to Examine Exempt Organization Returns: Although there was an initial target for FY 2000 of 238 days, the formula for calculating cycle time was changed for cases initiated after 10/1/00. Therefore, FY 2000 will set the baseline. EO has undertaken a process analysis of examination timeliness, to be completed in 2001. The results of this analysis will be used to determine appropriate responses. The trend upward in cycle time exceeds the FY 1999 results by approximately 20%. A systems analysis was conducted to determine the reasons for the trend. Factors believed to be in play include fewer general program examinations, and loss of experienced examiners with no attrition hiring until late FY 2000.

Number of Exams Closed for Employee Pension Plans: At nearly 99% of the target (11,843 cases closed v. 12,000 planned), the target can be considered essentially met. However, EP examination closures have declined because the mix of EP examination cases has shifted to more complex - and therefore more time-consuming - types of examinations. In addition, EP experienced at 27% decline in time applied to examinations from 1998 to 2000; the decline is attributable to the dedication of resources to support reorganization and to increased emphasis on pre-filing programs such as the customer education and outreach and the voluntary compliance program. EP examination case closures are expected to decline significantly in FY 2001 and 2002 due to an anticipated spike in determination processing as plans are amended to reflect recent legislative changes. In order to maintain service levels while dealing with the increased volume of determination applications, substantial examination resources will be redirected to complete determination work during this time period.

Number of Determination Cases Closed for Employee Plans: Due to the inordinately low receipts and the impending new law opening, more of the applications were initial requests instead of amendments and require longer to work. FY 2001 is the beginning of an open period for plan amendments, resulting in significantly higher determination receipts than usual. EP plans to manage this increased volume through the marketing of standardized plans, by implementing criteria for accelerated processing, by redesigning the determination system, and by maximizing the use of internal resources by temporarily shifting Examination resources to determination work.

Internal Revenue Service Performance Goal: *Service to all taxpayers (Business Results) - Statistics of Income*

Performance Measures:	FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
				Target	Performance
Percent of Statistics of Income Projects Delivered on Time	--	100%	100%	95%	**100%**
Percent of Inquiries to the Statistics Of Income Function that Were Acted Upon.	--	98%	99%	95%	**97%**

Explanation of Measure: These measures assess activity of the function which publishes the Statistics of Income Reports on the operation of income tax laws as required by the Internal Revenue Code for Congress and its committees; for administrative use by the Secretary of the Treasury and the Commissioner of Internal Revenue; and for the Federal benchmark statistical programs on income, wealth, and finance.

Internal Revenue Service Performance Goal: *Service to all taxpayers (Business Results) - Chief Counsel*

Performance Measures:	FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
				Target	Performance
Number of IRS Counsel Litigation Cases and Related Work Units Closed	--	--	86,371	85,300	82,744
Average Days Open for Revenue Rulings	--	846	448	477	499
Average Days Open for Private Letter Rulings	--	153	151	151	**140**
Number of Guidance And Assistance Work Units (Cases) Closed	--	--	14,963	14,570	**15,657**

Explanation of Measure: These measures assess the provision of correct legal interpretation of the internal revenue laws; representing the IRS in litigation; providing all other legal support for the IRS; and performing these duties in a manner that enhances public confidence in the integrity, efficiency, and fairness of our nation's tax system.

Explanation of Shortfalls:

Number of IRS Counsel Litigation Cases and Related Work Units Closed: Receipts and inventories of most categories of tax court cases have declined significantly in recent years. Tax court workload relates directly to the volume of IRS deficiency cases generated by examination, appeals, and the service centers. While total receipts and pending inventory declined by half from FY 1999 to FY 2000, total closures declined by approximately 17%. The decline in workload will be moderated by increasingly complex litigation and larger-dollar cases that require a disproportionate allocation of resources. This same trend is anticipated to carry through in FY 2001 and FY 2002.

Average Days Open for Revenue Rulings: Revenue rulings are the official interpretation of the internal revenue code, related statutes, tax treaties, and/or regulations as they relate to a specific factual situation. Revenue rulings may be based on a variety of sources and are selected because of the significance of the issue involved or because the issue is deemed to have widespread application to taxpayers in general. Cycle time represents average productivity at one point in time. For example, the third quarter FY 2000 actual average cycle time was 508 days. The fourth quarter FY 2000 actual average cycle time was 499. The complexity of cases and the actual number of rulings closed will vary widely at any point during a fiscal year. Without reviewing and comparing all cases for precise reasons, the 499 vs. 477 (4.61% difference can only be attributed to varying degrees of complexity and workload. In the future, cycle times, which are an average, will fluctuate based on the overall complexity of the cases received.

Internal Revenue Service Performance Goal: *Service to all taxpayers (Business Results) - Operations and Maintenance*

Performance Measures:	FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
				Target	Performance
Percentage of Timely Weekend Updates to the IRS Master File of Taxpayer Accounts	85.60%	66.92%	98.40%	97.00%	**100%**
Percent Availability to IRS Front Line Employees of Current Taxpayer Information on the:					
IRS Corporate Files On-Line CFOL) System	99.23%	99.70%	99.24%	99.00%	**99.84%**
Integrated Data Retrieval System - Real Time Availability	99.3%	99.40%	99.22%	99.00%	**99.33%**

Explanation of Measure: These measure assess operations of IRS information systems availability.

Bureau of Alcohol, Tobacco and Firearms Performance Goal: *Develop National Revenue Center infrastructure, collect all the revenue rightfully due, and use electronic commerce*

Performance Measure: Taxes/Fee Collected from the Alcohol, Tobacco, Firearms, and Explosives Industry (in billions)

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
$12.7	$12.4	$12.1	$12.3	**$14.1**

Explanation of Measure: This measure includes revenue collected through alcohol, tobacco, and firearms/ammunition excise taxes, special occupation taxes, transfer tax and various license and permit fees.

Performance Measure: Taxes and Fees Collected per Dollar of Collection Expense

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	$248	$193	$195	**$213**

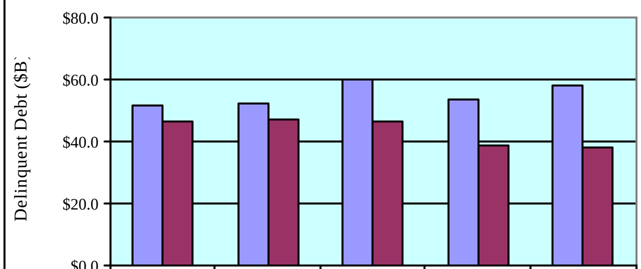
Explanation of Measure: This measures the amount of taxes and fees collected divided by the amount of resources expended to collect such taxes and fees.

Treasury Objective: Improve Federal Non-Tax Delinquent Debt Collection

Key Trends

The Debt Collection Improvement Act (DCIA) of 1996 requires Federal agencies to refer delinquent non-tax debts over 180 days old to Treasury's Financial Management Service (FMS) for collection. FMS provides collection services through a network linking its own debt collection expertise and capabilities with those of FMS' financial centers, Federal program agencies' debt collection centers, private collection agencies, and the U.S. Department of Justice.

Fig 12: Federal Non-Tax Delinquent Debt



	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000
Total	$51.4	$51.9	$60.0	$53.3	$58.0
> 180 Days	$46.1	$47.2	$46.4	$38.5	$38.1

The success of Treasury's debt collection programs depends on providing effective and efficient debt collection and debt management services to all Federal agencies, leading the development and implementation of Government-wide debt management policies, and timely referrals of delinquent debts by program agencies. Actual collection depends on external economic and legislative variables beyond Treasury's control.

Figure 12 shows total Federal non-tax delinquent debt balanced for FY 1996 through FY 2000 compared to the balances of Federal non-tax delinquent debt greater than 180 days old for the same period. (In FY 1999 and FY 2000, agencies began reporting significant amounts of debts as "currently not collectable," which are not included in the figures for debt greater than 180 days old.) Since passage of the DCIA, both the number of eligible delinquent debts referred to Treasury for collection and the amount of debt collected have steadily increased.

Treasury Programs

FMS collects delinquent debt primarily through two major programs: Cross-servicing and Treasury Offset. Cross-servicing is the process whereby Federal agencies refer delinquent debts to FMS for collection. In order to effectively collect the debts that agencies refer, FMS employs a variety of collection methods, including demand letters, follow-up telephone calls, skip tracing (i.e., locating debtors), referrals to the Treasury Offset Program (TOP), administrative wage garnishment, and private collection agencies.

The TOP is an offset program designed by FMS to assist agencies in the collection of delinquent debts, including non-tax debt and child-support obligations. TOP enables FMS to match delinquent debtor files against payment files. Payment types currently offset include vendor/miscellaneous, some salary payments, tax refunds (including child support), and Office of Personnel Management annuity payments. FMS maintains a database of delinquent debtor records referred from Federal agencies and states. These delinquent debtor records are matched against certain of the 892 million annual payments totaling more than $1 trillion made by FMS on behalf of more than 400 Federal agencies. When a match occurs, the payment is intercepted and the payment is offset, in whole or in part, to pay the delinquent debt. In addition to collecting Federal delinquent non-tax debt, TOP now collects delinquent state income tax debt and delinquent Federal tax debt through continuous levy.

FY 2000 Key Accomplishments and Performance Results:

Key Accomplishments

- During FY 2000, FMS had many significant accomplishments. Overall, collection of delinquent non-tax debt through FMS operations increased from $1.99 billion in FY 1998 to approximately $2.63 billion in both FY 1999 and FY 2000. FY 2000 collections through the cross-servicing program totaled more than $41 million. That amount is nearly double the FY 1999 collections, and represents over half the $74.9 million collected since the inception of the program in 1996.

- FMS has worked closely with Federal agencies to identify eligible debts and facilitate referrals. As of September 30, 2000, agencies had referred $4.6 billion in delinquent debts, representing 71 percent of all those debts specifically eligible for referral for the cross-servicing program. In addition, agencies have referred $26.8 billion of the $31.3 billion (86 %) eligible to be referred for offset.

- In January 2000, FMS began collecting delinquent state income tax debts by offsetting Federal tax refunds, as mandated by the 1998 Internal Revenue Service Restructuring and Reform Act. Through September 2000, seven states participated, 49,034 offsets were processed, and $23.1 million was collected. In July 2000, FMS began collecting delinquent Federal income tax debts by levying certain Federal non-tax payments (continuous levy) as authorized by the 1997 Taxpayer Relief Act. Through September 30, 2000, $54.7 billion of Federal tax debts have been referred to FMS for continuous levy of which $98.3 thousand has already been collected.

Performance Results

Following is a report on the performance in Treasury's FY 2000 Performance Plan related to this objective:

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
2	**2 (100%)**	0	0	1 (50%)

Financial Management Service Performance Goal: *Maximize collection of government delinquent debt by providing efficient and effective centralized debt collection services*

Performance Measure: FMS Will Increase Debt Collection Through All Available Tools from the FY 1998 Baseline of $1.988 Billion to $2.3 Billion (billions)

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	$1.988	$2.631	$2.081	**$2.629**

Explanation of Measure: This measure provides information on the total dollars collected through debt collection tools operated by FMS.

Performance Measure: FMS Will Increase to 75% the Amount of Delinquent Debt That Is Referred to Treasury for Collection, As Compared to the Amount of Delinquent Debt That Is Eligible for Referral

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
32%	--	71%	75%	**83%**

Explanation of Measure: The Debt Collection Improvement Act of 1996 requires (with certain specified exceptions) that all Federal agencies refer delinquent debt over 180 days old to Treasury for offset and cross-servicing. This measure tracks the dollar value of debt referred to FMS as a percentage of the total dollar volume that is eligible for referral for both programs.

GOAL: MANAGE THE FEDERAL GOVERNMENT'S ACCOUNTS

Treasury serves as the Federal Government's financial manager by issuing electronic payments and checks, managing its cash, collecting money owed to it, and producing financial statements and other financial information. The Financial Management Service (FMS) performs most of these tasks as part of Treasury by serving as the Government's accountant, its central disburser of funds, and its collections agent, as well as its reporter of financial information. FMS also promotes sound financial management Government-wide through its cash management and credit administration programs. The Bureau of the Public Debt (BPD) and the DC Pension Fund in the Departmental Offices (DO) manage the investment of funds entrusted to the government. The purpose of this goal is for the Federal government to become a financial manager equal to the best in the world.

Key Partners in Achieving this Goal Include: The Federal Reserve System, other Federal agencies, financial institutions, and the banking system.

Benefits to the American Public: By managing the Government's accounts carefully, Treasury assures the public that it is disbursing its money equitably and collecting what is owed. In addition, the many reports (daily, monthly, quarterly and yearly) on the financial state of the government attest to Treasury's acceptance of its responsibility to the public as the government's fiscal agent.

FY 2000 Highlights

- During FY 2000, FMS's government check volumes decreased by 15 million payments while Electronic Funds Transfer (EFT) volume increased by more than 28 million payments. EFT participation for benefit payments increased from 73% to 75% in FY 2000. EFT increases are a direct result of continuing activities and outreach programs to encourage electronic transmissions of payments. This has resulted in lowering the unit cost of Federal payments, processing forgery and non-receipt of check claims.

- Since FY 1999, FMS has worked with the Dallas Federal Reserve Bank to encourage financial institutions to become Electronic Transfer Account (ETA) providers. As of September 30, 2000, over 600 financial institutions have been authorized to offer ETAs at 6,976 branches nationwide, with 5,162 accounts opened by Federal payment recipients.

- In FY 2000, FMS processed electronically 75% of the amount of all collections received.

- FMS and IRS launched a pilot project enabling taxpayers to enroll in the Electronic Federal Tax Payment System and initiate payments through the Internet. $1.5 trillion was collected through this system in FY 2000, generating cash management savings to Treasury and reducing the government's operating costs.

- FMS made major progress in the Government-wide Accounting project to examine and rebuild processes for collecting budget execution data and reporting on the budget surplus/deficit. In FY 2000, FMS' focus group of agencies, OMB and the Federal Reserve agreed on the scope of the project that will make information more accessible and timely to Federal agencies.

- FMS received almost 80% of all year-end budget execution data through a new process (FACTS II) that eliminates separate reporting to FMS and OMB. This process streamlines reporting, reduces errors, increases timeliness, and eliminates OMB/FMS reconciliations.

- During FY 2000, BPD implemented *FedInvest* for Treasury-managed fund investment operations. This fully integrated system replaced two of the three out-dated legacy systems used for the Federal Investment Fund Program. Public Debt and the Investment Funds are benefiting from improved accounting controls, customer service and other automated functions to more efficiently manage investment funds.

- In FY 2000, Treasury's D.C. Pensions program accomplished all statutory requirements. In addition to valuating and paying out funds, the program published proposed regulations for Treasury's administration and the methodology for determining Federal benefit payments. Treasury's Inspector General issued an unqualified audit opinion on the FY 1999 financial statement audit of the three trust funds. Treasury also undertook several activities to identify and reduce erroneous payments.

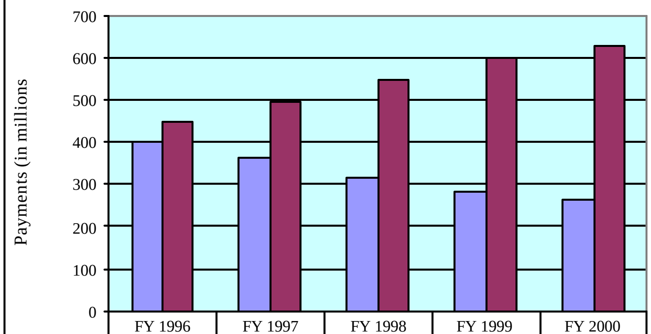
Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
16	**12 (75%)**	2 (13%)	2 (13%)	11 (69%)

Treasury Objective: Ensure All Federal Payments are Accurate and Timely

Key Trends

Over the past eight years, Treasury's Financial Management Service (FMS) has significantly improved its electronic payment and collection systems. In doing so, FMS has been able to better serve its customers with more accurate and timely payments. The percentage of Federal payments transmitted electronically by FMS has increased from 50 percent in 1995 to 70 percent in 2000 (see Fig. 13).

Fig. 13: Payments by Check and EFT



	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000
Checks	401	363	317	281	266
EFT	449	494	545	598	626

Treasury Programs

One of the most visible services of the Federal Government to the public is making Federal payments. Federal program agencies, such as the Social Security Administration or the Department of Veterans Affairs, are responsible for determining for their programs the correct amount and timing of payments, as well as the correct recipients. Federal program agencies certify this information to FMS, which then disburses the payments.

FMS pursues several strategies to improve the Government's payment processes:

- *Electronic Data Interchange (EDI).* The EDI team is working with additional agencies on converting their payments to EDI. Additionally, the Payment Advice Internet Delivery system (PAID) provides payment-related information via the Internet for 82 agencies and approximately 5,600 registered users. The EDI team is also developing Electronic Commerce solutions for travel payment and medical payments.

- *Stored Value Cards.* FMS works closely with all military services to provide stored value smart cards for conducting financial transactions in military environments. The stored value card is currently used to solve cash management problems experienced overseas in Army deployed environments, on Navy ships at sea, and on military basic training sites. The card minimizes the cost for military finance offices to handle coin and currency. The use of the card also automates payments, accounting, and settlement. This reduces manual processing and streamlines business processes. FMS issued over 150,000 stored value smart cards to the military last fiscal year.

- *Internet Credit Card Collection (ICCC) Service.* This FMS service is a secure, web-based, credit card authorization portal that assists Federal agencies in processing collections over the Internet. It complements the traditional credit card authorization service offered by FMS via a Plastic Card Network agreement. Started in 1998, the ICCC service now supports more than two dozen agencies on the Internet. By providing this service, Federal agencies do not need to build separate, individual gateways to credit card networks over the Internet. Also, ICCC provides central consolidated reporting that supplements the acquiring bank’s settlement reports. Using this service, an agency can web-enable multiple collection cashflows within its operations by setting up distinct direct deposit accounts. The agency’s acquiring bank works with the ICCC service to make scheduled deposits into the agency’s Treasury CashLink account.

- *E-Check.* An example of new technology research and development is the electronic check ("e-check") pilot. E-check is an all-electronic payment mechanism modeled on the paper check. It is designed to reduce marginal transaction costs to zero, to allow remittance data to be securely attached, and to permit transport of the transaction over any medium. The e-check technology is based on a consortium of financial institutions, technology firms, and public institutions (IBM, Bank of Boston, the Federal Reserve Bank of Boston, Sun Microsystems, Citibank, Bank of America, Stanford University, and Bell Labs).

- *Pay.gov.* FMS launched Pay.gov, a new government-wide Internet portal for processing collections and related forms, and conducted the first pilot collection transaction with an excise tax collection over the Internet for the Bureau of Alcohol, Tobacco and Firearms. Pay.gov will help move paper check collections currently processed through FMS' paper lockboxes onto the Internet.

FY 2000 Key Accomplishments and Performance Results

Key Accomplishments

FMS met or exceeded the majority of its performance goals for FY 2000 for this objective. Check volumes continue to decrease and Electronic Funds Transfer (EFT) volumes are increasing as a result of intensive, grass-roots campaigns to publicize the safety, security, and simplicity of electronic payments. Improved performance has been notable in lowering the unit cost of Federal payments, processing forgery and non-receipt of check claims, and electronic transmissions of payments.

- EFT participation for benefit payments increased from 73% in FY 1999 to 75% in FY 2000. Check volume decreased by 15 million payments while EFT volume increased by more than 28 million payments.

- Since October 1, 1999, FMS has worked with the Dallas Federal Reserve Bank (FRB) to encourage financial institutions to become Electronic Transfer Account (ETA) providers. As of September 30, 2000, over 600 financial institutions have been authorized to offer ETAs at 6,976 branches nationwide. Nine of the top ten check volume states each have more than 100 certified ETA branches, including Ohio, Texas and California which each have more than 500. Over 5,162 accounts have been opened by Federal payment recipients.

- FMS participated in 20 ETA Seminars for financial institutions at FRBs nationwide to educate financial institutions about the ETA and encourage participation in the program. FMS hosted 40 exhibit booths to highlight ETA and EFT; and supported 12 Strategic Alliance Meetings to encourage collaborative efforts between ETA providers and community organizations to promote the ETA.

- FMS worked with the Treasury's Office of Public Education and the contractor to develop consumer marketing materials, public service advertising, public relations, and community outreach efforts for the public education campaign. These materials educate Federal recipients about the benefits and availability of the ETA. We distributed more than 2 million pieces of marketing materials this fiscal year.

- Oversaw FRB's implementation and enhancements to ETA Voice Response Unit (VRU) operations, established to handle calls from the public for ETA Provider locations. VRU is operational when the Call Center is closed, or when the number of calls exceeds Call Center capability. Callers can enter a 5 digit ZIP code and the VRU system responds with Provider locations (if any) within a 10 mile radius of the ZIP code entered.

- Total Treasury-disbursed EFT payments increased from 68% in FY 1999 to 70% in FY 2000. Total non-tax Treasury-disbursed payments increased from 74% in FY 1999 to 75% in FY 2000. Payments covered under the Debt Collection Improvement Act increased in EFT percentage from 78% in Fiscal Year 1999 to 79% in FY 2000.

- Coordinated and wrote a comprehensive International Cash Management Plan. The plan provides initiatives for EFT payments and collections. Presented the plan to the key agencies involved with international transactions and obtained their support.

Performance Results:

Following is a report on performance targets in Treasury's FY 2000 Performance Plan related to this objective:

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
7	**5 (71%)**	2 (29%)	0	5 (71%)

Financial Management Service Performance Goal: *Provide Federal payments timely and accurately, move toward an all-electronic Treasury for payments, and determine the optimal payment processing environment for the future*

Performance Measure: Dollar Savings by Reducing the Number of Check Payments (in thousands)

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	**Performance**
$11,000	$13,100	$10,300	$16,300	$4,200

Explanation of Measure: This measure reflects savings to all Federal Program Agencies (FPAs) for which FMS disburses payments, including FMS. Most of the Government savings are not to FMS, but to the authorizing FPAs, since they currently reimburse FMS for check postage. The dollar savings are calculated by using an average of $0.2868 per check multiplied by the difference in check volumes from one fiscal year to the next (e.g., FY 1999 to FY 2000).

Explanation of Shortfall: Dollar savings are a direct result of the number of payments made by check vs. EFT. The percentage of Federal payments transmitted electronically has increased from 58 percent in FY 1997 to 70 percent in FY 2000, but did not achieve the FY 2000 target. FMS predicated its FY targets on a waiver policy that was more restrictive than the one finally adopted by Treasury. As a result, more payment recipients elected to continue with check payments than was originally anticipated. Efforts by FMS to further increase the use of EFT include actively promoting low-cost Electronic Transfer Accounts among Federal benefit recipients who do not maintain a bank account and working through interagency forums to convert more vendor and miscellaneous payments to EFT.

Performance Measure: Percentage of Check Payments Released on Time

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	**Performance**
99.9927%	99.9951%	99.9949%	99.9993%	**100%**

Explanation of Measure: This measure rates the effectiveness of the payments issuance process. "On-time" means that FMS releases checks to the U.S. Postal Service and EFT payments to the FRB so that their normal delivery will result in timely receipt by the payees.

Performance Measure: Percentage of Payments Customers Indicating an Overall Rating of Satisfied or Better

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	99%	99%	99%	**99**%

Explanation of Measure: This measure directly assesses satisfaction of payments customers with both checks and electronic payments. It is based on a survey that is sent to disbursing customers.

Performance Measure: FMS will Adjudicate Forgery and Non-receipt Check Claims Within 14 Days

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
96.8%	82.2%	93.5%	90.0%	**98.2%**

Explanation of Measure: This measure assesses the efficiency of claims processing. Adjudication is a segment of the entire process. The measure records the time it takes a claims analyst to make a determination to settle, deny, or defer a final disposition of the claim pending the receipt of additional information and/or investigative reports.

Performance Measure: FMS will make Treasury Payments and Associated Information Electronically

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
58%	63%	68%	75%	70%

Explanation of Measure: This measure shows the portion of the total volume of payments that are made electronically by FMS. Electronic payments include transfers made through the automated clearinghouse and wire transfer payments made through the FEDWIRE system.

Explanation of Shortfall: FMS is responsible for disbursing Federal payments. The percentage of Federal payments transmitted electronically has increased from 58 percent in FY 1997 to 70 percent in FY 2000, but did not achieve the FY 2000 target of 75 percent. FMS predicated its FY targets on a waiver policy that was more restrictive than the one finally adopted by Treasury. As a result, more payment recipients elected to continue with check payments than was originally anticipated. Efforts by FMS to further increase the use of EFT include actively promoting low-cost Electronic Transfer Accounts among Federal benefit recipients who do not maintain a bank account and working through interagency forums to convert more vendor and miscellaneous payments to EFT.

Performance Measure: Number of States in which Direct Federal Electronic Benefits Transfer (EBT) will be Retrofitted

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
2	7	8	20	**49**

Explanation of Measure: Currently, most states have Electronic Benefits Transfer (EBT) programs for state administered benefits. At the request of individual states, Treasury makes direct Federal benefits electronically available to recipients, using their state EBT card, by designating a Financial Agent to provide this retrofitting function. Treasury also has the option of providing access to Federal benefit recipients through a voluntarily opened account, known as an Electronic Transfer Account. Banks volunteer to provide this account to recipients, and agree to meet Treasury standards for the account. Having direct Federal EBT available in an individual state means that one of these two options is approved and functional within a given state.

Performance Measure: Unit Cost for FMS for Federal Government Payments

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	$0.2500	$0.2158	$0.2000	**$0.1981**

Explanation of Measure: The measure indicates the unit cost that FMS incurs for making a payment (electronic or paper) for a Federal Program Agency.

Treasury Objective: Ensure that the Government's Cash Management Minimizes Risk and Provides Immediate Flow and Balance Information

Key Trends

One of the most important functions performed by the Treasury Department is management of the Government's cash to ensure that funds are available on a daily basis to cover Federal payments. To accomplish this, Treasury must accurately monitor the Government's receipts and payments and correctly predict the Government's future daily cash requirements. Improvements during the past several years enable Treasury to perform its cash flow management function with the most up-to-date and accurate information, and to reduce the burden on taxpayers by ensuring that the cost of borrowing funds is minimized. These improvements include enhancements to the cash flow reporting systems that were fully implemented in October 2000, continuing increases in electronic collections, and the acceleration of investment decisions.

Treasury Programs

Along with Treasury's Office of Cash and Debt Management and the Federal Reserve Bank of New York, the Financial Management Service (FMS) plays an integral role in monitoring the receipts and expenditures of the Federal Government and in estimating the amount of cash needed daily by the Government for its anticipated payments.

The Office of the Fiscal Assistant Secretary supervises the administration of the Government's fiscal affairs, including: payments, collections, cash management, debt collection, government-wide accounting, government investment fund administration, and debt financing. The Office of Cash and Debt Management manages the daily cash position of the government and produces the cash and debt forecasts used to determine the size and timing of the government's financing operations.

FMS is charged with developing and managing Federal financial systems to move the Government's cash flow efficiently, effectively, and securely. It supports other Government agencies by serving as the Government's primary disbursing agent, collection agent, accountant and reporter of financial information, and collector of delinquent Federal debt.

FY 2000 Key Accomplishments and Performance Results

Key Accomplishments

- 75% of the amount of all collections received in FY 2000 were processed electronically.
- $1.5 trillion was collected through Treasury's Electronic Federal Tax Payment (EFTPS) generating cash management savings to Treasury and reducing the government's operating costs.
- FMS and the Internal Revenue launched a pilot project enabling taxpayers to enroll in the EFPTS and initiate payments through the Internet.

Performance Results

Following is a report on performance targets in Treasury's FY 2000 Performance Plan related to this objective:

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
3	**3 (100%)**	0	0	2 (67%)

Financial Management Service Performance Goal: *Produce accurate, accessible, and timely government-wide financial information and reports, which contribute to the improved quality of the Nation's financial decision-making*

Performance Measure: Percentage of Days the *Daily Treasury Statement (DTS)* is Released On Time

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
97%	98%	100%	99.6%	**100%**

Explanation of Measure: This is a measure of effectiveness, since timeliness is critical to this function. Of the total workdays in the fiscal year, this measure shows the percentage of those days in which FMS met the agreed-upon standards for timeliness in providing the DTS to the Treasury. The DTS is a public document that Treasury publishes on a daily basis to reflect the cash transactions, holdings, loans, debts, etc., of the Government's money for the previous day.

Financial Management Service Performance Goal: *Provide timely collection of Federal Government receipts, at the lowest cost, through an all-electronic Treasury.*

Performance Measure: FMS Will Collect Electronically the Total Dollar Amount of Federal Government Receipts

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
52%	69%	72%	71%	**75%**

Explanation of Measure: This measure considers the percentage of Government collections that are collected by electronic mechanisms compared to total Government collections of current debt.

Performance Measure: Percentage of Corporate Withholding Taxes Collected Electronically

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	84%	89%	94%	**94%**

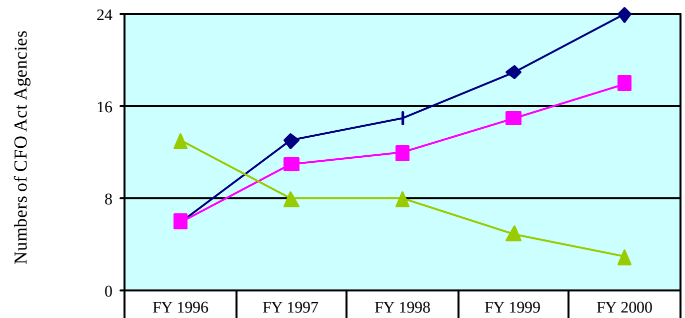
Explanation of Measure: This measure describes the percentage of corporate withholding taxes collected compared to total withholding taxes collected.

Treasury Objective: Provide Accurate and Timely Information on the Government's Financial Status and Support the Government-Wide Implementation of Accounting Standards

Key Trends

Providing accurate and timely financial information and implementing accounting standards is an important but ongoing challenge for all Federal agencies. The Chief Financial Officers (CFO) Act reinforced this importance by requiring that the 24 largest executive branch agencies provide audited financial information comparable to the private sector.

Fig. 14: Audit Opinions of CFO Act Agencies



	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000
Timely	6	13	15	19	24
Clean	6	11	12	15	18
Disclaimers	13	8	8	5	3

Each year Federal agencies prepare financial statements in accordance with Government-wide accounting standards. These statements are then audited by an independent organization that provides an opinion as to whether they are adequately supported and free of significant omissions or misstatements. An indicator of success is the number of the 24 CFO Act agencies that have received an unqualified audit opinion on their financial statements. An "unqualified" opinion means that the financial records are adequately supported and free of significant omissions or misstatements. In the 10 years since the CFO Act was passed, these 24 agencies have greatly improved their financial accounting and their ability to produce timely, clean statements with fewer disclaimers each year (see Fig. 14).

Treasury Programs

Treasury's Financial Management Service (FMS) is the Government's primary accountant and reporter of financial information used by the public and private sectors to monitor the Government's financial status and establish fiscal and monetary policies. It works with other Federal agencies to help them adopt uniform accounting and reporting standards and systems critical to FMS' ability to gather and publish Government-wide financial information

- FMS' Center for Applied Financial Management provides training to Federal employees throughout the Government on various aspects of financial management, including regulations and compliance. The Center also assists agencies to implement the government's Standard General Ledger, reconcile their records with Treasury, comply with Federal financial reporting requirements, and implement "off-the-shelf" computer systems/

- The Government-Wide Accounting (GWA) Project is re-examining FMS' existing business processes and making fundamental changes. This long-term project is expected to significantly affect existing systems of FMS and Federal agencies. The GWA Project will streamline reporting and reconciliation processes, and eliminate redundant data submissions from program agencies to central agencies that require reconciliation. In the future, FMS will produce more timely, accurate, and reliable financial reports while, at the same time, reduce the reporting burden on program agencies.

FY 2000 Key Accomplishments and Performance Results

Key Accomplishments

- Major progress was made in the Government-Wide Accounting project to examine and rebuild FMS's processes for collecting budget execution data and reporting on the budget surplus/deficit. In FY 2000, agreement was reached, through the FMS focus group of agencies, the Office of Management and Budget, and the Federal Reserve, on the scope of the project. A strategy for modular implementation of changes was developed, and the first release is scheduled for October 2001. In addition, short term changes identified during the requirements review process were made to existing legacy systems, thus making information more accessible and timely to program agencies.

- The Consolidated Financial Report of the U.S. Government for FY 1999 was issued timely.

Performance Results

Following is a report on the performance targets established in Treasury's FY 2000 Performance Plan related to this objective:

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
3	**2 (67%)**	0	1 (33%)	2 (67%)

Financial Management Service Performance Goal: *Facilitate the achievement of a clean audit opinion on the Financial Report of the U.S. Government through our internal operations and support of Government agencies*

Performance Measure: Percentage of Agency Reports for the *Financial Report of the U.S. Government* Processed by FMS within the Established Standard Range

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
95%	81%	92%	97%	Data Not Yet Available*

Explanation of Measure: FMS collects and compiles agency financial statements for the *Financial Report of the U. S. Government*. They are processed with specified data validity checks. This measure assesses FMS's processing performance against an established standard.

FY 1999 results were not available when the FY 1999 Program Performance Report was published. FMS did not meet the FY 1999 target of 97%. There are 132 Federal departments and independent agencies, commissions, boards, etc., that report information to FMS for inclusion in the Financial Report for the U.S. Government. For FY 1999 reporting, 122 of these agencies (approximately 92%) were on time and met FMS standards for consistency. During FY 2000, FMS organized seven interagency task groups to identify and solve various problems agencies encountered in meeting the new standard.

* The results for this measure were not available in time for inclusion in this report. FY 2000 results will be reported in the FY 2001 report.

Financial Management Service Performance Goal: *Produce accurate, accessible, and timely government-wide financial information and reports, which contribute to the improved quality of the Nation's financial decision-making*

Performance Measure: Percentage of Days the *Daily Treasury Statement (DTS)* is Released On Time

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
97%	98%	100%	99.6%	**100%**

Explanation of Measure: This is a measure of effectiveness, since timeliness is critical to this function. Of the total workdays in the fiscal year, this measure shows the percentage of those days in which FMS met the agreed-upon standards for timeliness in providing the DTS to the Department of the Treasury.

Performance Measure: Percentage of GOALS I Applications Redeveloped for Migration to the GOALS II Platform

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	15%	60%	75%	**75%**

Explanation of Measure: "GOALS I" is the acronym for FMS's Government Online Accounting Link System. This system was being used by Government agencies to report their financial data to FMS, but as an older system it was outdated and expensive. FMS is now converting to the "GOALS II" system. This measure gauges the progress of the conversion. The percentage represents completed applications verified on the project plan that is tracked at a detail task level.

Treasury Objective: Strengthen the Government's Financial Infrastructure to Improve Program Management Across Government

Key Trends

The Treasury Department is the fiscal agent for the U.S. Government and is responsible for assisting agencies to ensure that accurate and timely financial information is available to program managers throughout the Government. Treasury's Financial Management Service (FMS) plays a critical role in strengthening the Government's financial infrastructure. FMS works to continue to improve its systems so agencies can report their financial information to Treasury more easily, quickly and accurately. The often exponential growth in the capability of information and communication technologies offers Treasury considerable opportunity to improve the financial systems underpinning its responsibilities. Examples include initiatives to increase the use of 1) the Internet for all FMS business processes including collections, payments, and government-wide accounting, and 2) Electronic Data Interchange, a payment alternative which permits the transmission of information, such as invoice details, along with the payment file.

Treasury Programs

Federal Agencies Centralized Trial Balance System II (FACTS II) has been implemented to improve the integrity and quality of agencies' budget execution data and to eliminate year-end reconciliation problems between FMS and the Office of Management and Budget.

Because of the central role that FMS plays in the Government's financial infrastructure, FMS' systems must provide complete, secure, and accurate financial information with a high degree of systems integrity. In FY 2000, FMS made considerable progress in strengthening its general computer and applications controls by completing conversion of the payment processing systems to operate under a new operating system. In addition, considerable improvements were also made in the FMS-wide security program, including developing and issuing new information technology security policies, performing internal and external risk assessments, and providing security awareness training to FMS employees nationwide.

Other examples of improvement to the Government's financial infrastructure are 1) FMS's expansion of the network used by the State Department for making international payments and sending associated messages, and 2) adoption of a Bank of America system for payments to vendors overseas by Federal stateside agencies.

FY 2000 Key Accomplishments and Performance Results

FACTS II: Major progress was accomplished in FY 2000 with about 80% of all year-end budget execution data received through the FACTS II process. This process reduces errors, increases timeliness, and eliminates the Office of Management and Budget/FMS reconciliations. This accomplishment sets the stage for 100% reporting for year-end 2001 data.

Following is a report on the performance targets established in Treasury's FY 2000 Performance Plan related to this objective:

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
1	**0**	0	1 (100%)	0

Financial Management Service Performance Goal: *Facilitate the achievement of a clean audit opinion on the Financial Report of the U.S. Government through our internal operations and support of Government agencies*

Performance Measure: Percentage Decrease in Unresolved Prior Year Recommendations and Audit Findings That Prevent a Clean Opinion on the Audit Of the Financial Report of the U.S. Government [until 1998, Known as the Consolidated Financial Statement (CFS)]

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	**Performance**
--	--	70%	5%	Data Not Yet Available

Explanation of Measure: This is a measure of improvements in the accuracy and integrity of the report through the decrease or elimination of the number of material and non-material audit findings, to achieve an unqualified "clean" audit opinion.

The results for this measure will not be available until April 2001, not in time for inclusion in this report. FY 2000 results will be reported in the FY 2001 report.

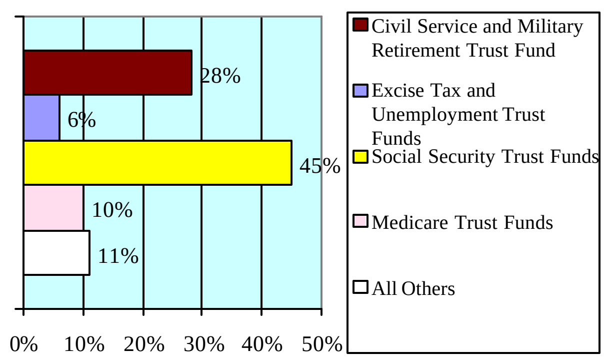
Treasury Objective: Ensure the Effective Management and/or Investment of Funds in Treasury's Custody

Key Trends

While the debt held by the public is decreasing due to budget surpluses, debt held by government agencies under Treasury's Federal Investment Fund Program is increasing. Under this program, Treasury holds and invests monies for government agencies that are authorized to invest in special non-marketable Treasury securities. The sources of the monies for investment are tax revenues, fees, and assessments collected for a specific purpose such as Social Security taxes, which is the largest Investment Fund (see Fig. 15).

Over time, these funds have experienced substantial growth in their number and value. In 1980, Federal Investment Funds' assets totaled $193 billion. In FY 2000, there were over 200 Investment Funds with balances in excess of $2.2 trillion. During FY 2000 alone, these Funds increased $247.26 billion, a 12.5% increase over FY 1999.

Fig. 15: Federal Trust and Investment Fu Percentages (By Dollar)



Treasury Programs

The Bureau of the Public Debt's (BPD) Federal Investment Fund Program offers securities investment services to Government agencies. More than 90% of these Investment Funds are managed by other agencies, with Treasury executing investment instructions provided by these agencies. The Secretary of the Treasury has responsibility as Managing Trustee for several of the largest investment funds, including Social Security, Highway, and Unemployment, which hold over $1 trillion. For these funds, BPD provides additional administrative and accounting services on behalf of the Secretary.

The Balanced Budget Act of 1997, as amended, transferred to the Secretary of the Treasury from the District of Columbia certain responsibilities for the pensions of District police, firefighters, teachers and judges, including administration of a portion of fund assets and distribution of a share of pension benefits. The Act relieved the District of the burden of unfunded pension liabilities transferred to the District from the Federal government in 1979. Treasury's Office of D.C. Pensions manages over $4 billion in three trust funds that provide retirement benefits to over 13,000 annuitants. Treasury's responsibilities involve a range of complex policy, technical, and operational activities, including actuarial, audit, financial reporting, investment, benefits administration, information systems, procurement, and legal.

FY 2000 Key Accomplishments and Performance Results

Key Accomplishments

- On April 1, 2000, BPD implemented FedInvest, an off-the-shelf investment accounting system, for Treasury-managed operations. This fully integrated system replaced two of the three out-dated legacy systems used for the Federal Investment Fund Program. The remaining legacy system will be replaced when FedInvest is implemented for agency-managed operations on January 1, 2001. Public Debt and the Investment Funds are benefiting from improved and automated accounting controls, automated interfaces with external systems such as market pricing, and improved customer service in the form of electronic access and other services.

- A comprehensive review of U.S. Investment Fund responsibilities was completed in FY 2000, and recommendations to strengthen administration of investment funds are now being implemented.

- In FY 2000, Treasury's D.C. Pensions program accomplished all statutory requirements of Title XI of the Balanced Budget Act of 1997, as amended. As part of the D.C. Pensions program, Treasury undertook the following activities, which will help identify and reduce erroneous payments: (1) continued progress on design and development of a new automated pension system; (2) hired additional District benefits staff and equipped most staff with new computers; (3) began a thorough review of the District's pension laws and current business practices; (4) initiated a customer service program to learn and address annuitants' concerns; and (5) established formal procedures to work with the District to resolve pension administration policy issues.

Performance Results

Following is a report on performance against the targets established in Treasury's FY 2000 Performance Plan related to this objective:

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
2	**2 (100%)**	0	0	1 (50%)

Bureau of the Public Debt Performance Goal: *Provide quality service to investors in Treasury marketable securities*

Performance Measure: Process 100% of Government Securities Investment Program Transactions Timely

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	100%	100%	**100%**

Explanation of Measure: Federal Program Agencies contact Treasury daily to request investments and redemptions for more than 200 trust and deposit funds that participate in the Federal Government Securities Investment Program. This is a measure of the percentage of time these transactions are processed on the date requested by the agency.

Performance Measure: Process 99.9% of Government Securities Investment Program Transactions Accurately

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	99.9%	99.90%	**99.98%**

Explanation of Measure: Federal Program Agencies contact Treasury daily to request investments and redemptions for more than 200 trust and deposit funds that participate in the Federal Government Securities Investment Program. This is a measure of the percentage of time these requests are processed accurately.

GOAL: COST-EFFECTIVELY FINANCE THE GOVERNMENT'S OPERATIONS

Treasury is responsible for borrowing what is necessary to meet the Government's financing needs. The sum of all such borrowing is the gross Federal debt. The debt includes Treasury's marketable notes and bonds; foreign and domestic series certificates of indebtedness notes, and bonds; savings bonds; Government Account Series, State, and Local Government Series; and special purpose securities. A wide array of security offerings is offered to investors not only to finance Government operations, but promote thrift. Treasury's aim is to sell, service, and pay the debt in a manner that minimizes the long-term cost of those borrowings, provides sound cash management in order to ensure that adequate cash balances are available at all times, and promotes efficient capital markets.

As the Nation entered an era of Government surpluses, Treasury has begun paying down its marketable debt, primarily by refunding its regularly-maturing debt with smaller amounts of new debt. In March 2000, Treasury initiated debt "buyback" operations for the first time in seventy years. Budget surpluses, which allow the Federal Government to pay down debt held by the public will present additional challenges to Treasury's debt managers and operations staff. The surpluses beginning in FY 1998 have allowed Treasury to reduce the number of offerings for marketable debt, and in effect, reduced the Federal debt held by the public from $3.72 trillion in FY 1998 to $3.41 trillion (estimated) in FY 2000.

Key Partners in Achieving this Goal Include: The Federal Reserve Banks.

Benefits to the American Public: Government services and entitlements to the public are able to continue in times of budget deficits through Treasury's borrowing programs. Treasury securities provide a safe investment for a wide population of buyers with varying needs by use of short and long-term marketable securities, bonds and other issues. In times of budget surpluses, Treasury pays close attention to changing market conditions and initiates buybacks to reduce the interest cost of debt so taxes needed to pay interest costs can be reduced.

FY 2000 Key Accomplishments and Performance Results

Key Accomplishments

- Despite recent budget surpluses, Treasury still needed to borrow to provide funding for operations of the Federal Government and refinance maturing debt. During FY 2000, Treasury issued close to $2 trillion of securities, most of which was done to replace securities that are maturing. Treasury issues new regulations for debt buybacks and conducted 13 buyback operations, repurchasing over $21 billion of debt held by the public. Given current projections of continuing surpluses, Treasury expects to replace maturing debt with smaller amounts of new debt, conduct fewer auctions, conduct additional buyback operations, and offer a smaller range of Treasury securities to finance the Government's operations in the most cost-effective manner possible.

- During FY 2000, Treasury worked with the Office of Management and Budget to revise, finalize and publish OMB Circular A-29, which governs Federal credit policies and non-tax receivables. During the year, Treasury also provided guidance and direction on a wide range of financial policy initiatives, including the creation of government corporations and government-sponsored enterprises, trust funds, privatization issues, Federal Financing Bank issues, U.S. Postal Service issues, Treasury loans to the Presidio Trust, D.C. Pension actuarial issues, and Foreign Service retirement issues.

- The Bureau of the Public Debt (BPD) completed a major consolidation of its TreasuryDirect servicing sites, which allow investors to hold Treasury securities directly without the services of an intermediary, from 37 to three. The consolidated sites in Boston, Dallas, and Minneapolis use the latest call center technology to service the 675,000 TreasuryDirect accounts totaling $82 billion in Treasury bills, notes, and bonds. In addition, BPD has also consolidated auction operations from four to two sites.

- BPD introduced the capability of purchasing savings bonds directly through the Internet with outstanding results. More than 390,000 bonds were sold totaling $85.8 million.

- BPD's Internet banking project encourages financial institutions to offer the purchase of savings bonds as an on-line option. This year, an additional 297 banks (a 260% increase over 1999) have begun offering savings bonds through on-line banking services.

Performance Results

Following is a report on the performance targets in Treasury's FY 2000 Performance Plan related to this goal:

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
9	**9 (100%)**	0	0	7 (78%)

Departmental Offices Performance Goal: *Finance the Federal Government in the most cost-effective manner over the long-term*

Performance Measure: Percent of Borrowing Policies and Borrowing Requirements That Are Announced to Financial Market Participants in a Timely Manner

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	90%	100%	100%	**100%**

Explanation of Measure: Treasury provides data to financial market participants with sufficient lead-time to avoid surprises. This is a measure of the percentage of time announcements are made in a timely manner. The Office of the Under Secretary for Domestic Finance holds press conference announcements of borrowing policies, requirements and auction offerings giving a date and time for the auction to be held.

Bureau of the Public Debt Performance Goal: *Provide quality service to purchasers of savings bonds*

Performance Measure: Issue 95% of Over-the-Counter Saving Bonds in Three Weeks

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
97.99%	98.99%	99.75%	95%	**99.07%**

Explanation of Measure: Customers can purchase savings bonds directly from more than 40,000 financial institution locations throughout the country. This measures the percentage of instances where these over-the-counter bonds are issued within three weeks of purchase.

Performance Measure: Complete 90% of Customer Service Transactions in Four Weeks

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
88%	92.61%	97.28%	90%	**97.63%**

Explanation of Measure: Savings bonds have been sold for more than 50 years and the records are maintained in a variety of forms by the BPD. Individuals who need to have savings bonds reissued to reflect new ownership or to replace bonds that have been lost or stolen submit their requests to the Bureau. This measures the percentage of instances where bonds are reissued within four weeks of receipt of request for the transaction.

Bureau of the Public Debt Performance Goal: *Meet the borrowing needs of the Federal Government*

Performance Measure: Conduct 100% of Marketable Securities Auctions without Error

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
99%	100%	100%	100%	**100%**

Explanation of Measure: The BPD conducts approximately 140 auctions a year, receives more than $4.8 trillion in bids, and issues more than $2 trillion of securities to finance Government operations. This measures the level of error-free auctions.

Performance Measure: Announce Auction Results within One Hour 95% of the Time

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
90%	98%	100%	95%	**100%**

Explanation of Measure: To maintain an efficient market for Treasury securities and to minimize uncertainty in these markets, it is important that Treasury's securities auctions be completed and the results announced as quickly as possible. This measures the percentage of time the results are announced within one hour of the close of the auction.

Bureau of the Public Debt Performance Goal: *Provide quality service to investors in Treasury marketable securities*

Performance Measure: Complete 90% of *TreasuryDirect* Customer Service Transactions in Three Weeks

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
94.7%	98.9%	98.32%	90%	**96.97%**

Explanation of Measure: There are approximately 800,000 *TreasuryDirect* investors who hold Treasury bills, notes and bonds. This is a customer service measure of the percentage of time *TreasuryDirect* transactions are completed within 3 weeks of receipt.

Performance Measure: Make 100% of *TreasuryDirect* Interest and Redemption Payments Timely

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
100%	100%	100%	100%	**100%**

Explanation of Measure: Timely payments bolster investor confidence and ensure that Treasury securities remain an attractive investment option. This is a customer service measure of the percentage of time *TreasuryDirect* payments are made when due.

Performance Measure: Make 99.9% of *TreasuryDirect* Interest and Redemption Payments Accurately

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
100%	100%	100%	99.9%	**100%**

Explanation of Measure: Virtually all payments are calculated automatically by automated systems. This is a customer service measure of the percentage of time *TreasuryDirect* payments are accurately made.

Performance Measure: Make 100% of Commercial Book Entry Interest and Redemption Payments Timely and Accurately

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
99.9%	100%	100%	100%	**100%**

Explanation of Measure: More than $3 trillion of Treasury's outstanding debt is maintained in accounts on the Commercial Book Entry system. The operations and computer systems that comprise the commercial book-entry system annually make interest and redemption payments totaling over $2.3 trillion. This is a customer service measure of the percentage of time these payments are made both accurately and timely .

GOAL: IMPROVE THE EFFICENCY OF PRODUCTION OPERATIONS AND MAINTAIN THE INTEGRITY OF U.S. COIN AND CURRENCY

Treasury has two bureaus that manufacture all coins and paper money for the United States. The Bureau of Engraving and Printing (BEP) produces Federal Reserve currency notes at its facilities in Washington, D.C. and Ft. Worth, Texas. It also produces postage stamps and security documents for other government agencies. Production of metal coins is the job of the United States Mint, which is the world's largest manufacturer of coins, medals, and coin-based consumer products. The purpose of this goal is to increase the efficiency with which coin and currency are produced, and yet make them as safe and secure as possible against counterfeiting.

Key Partners in Achieving this Goal Include: The Federal Reserve System, the banking system, and the Securities Technology Institute at the Applied Physics Laboratory at the Johns Hopkins University.

Benefits to the American Public: Efficient production of coins, currency, postage stamps, and other government securities ensures cost-effective use of the taxpayers' money that is expended to produce these items, and ensures they are readily available in the proper amounts for commercial and postal transactions. Effective security in production protects the integrity of the U.S. economy by reducing the risk of counterfeiting, and enhances the public's confidence in the authenticity of U.S. stamps, currency, and coinage.

FY 2000 Highlights

- In FY 2000, BEP achieved favorable manufacturing cost results in both its currency and postage stamp programs. Favorable cost performance in the currency program was driven by reduced spoilage, and an improvement in ink usage due to the implementation of several employee suggestions. Costs were also below target in the postage stamp program as a result of reduced spoilage, improved productivity in stamp coil processing, and adjustments in staffing within the stamp production areas.

- The U.S. Mint maintained productivity levels in producing and shipping 27.2 billion coins for circulation in FY 2000, a 33% increase from the FY 1999 level. In comparison with FY 1999 performance in Customer Service, the Mint improved or maintained performance on 5 of 8 Customer Service Standards. This is especially significant considering growth in the demand for numismatic collectibles led to an increase of 107% in the number of products shipped to customers in FY 2000. Also in FY 2000, the Mint produced and shipped $3.2 billion in circulating coinage and processed more than $488 million in customer payments for numismatic and bullion products.

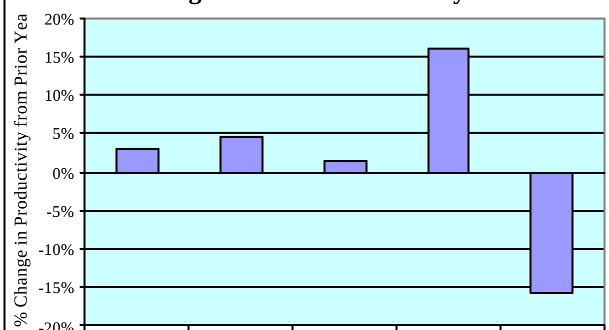
Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
28	**12 (43%0**	16 (57%)	0	16 (57%)

Treasury Objective: Increase the Productivity and Efficiency of Coin and Currency Manufacturing

Key Trends

Treasury produces and supplies the Nation's coins and currency, which are ordered and distributed by the Federal Reserve Banks (FRB). In FY 2000, the FRB order levels stabilized after record currency orders in FY 1999 to build inventories for the year 2000 (Y2K) contingencies. The U.S. Mint (Mint) has made great advances in the production process (e.g. extending dye life, automating coin transfers on the line, increasing line flexibility, etc.) and motivating its employees. The Bureau of Engraving and Printing (BEP) has expanded automated examination of currency to all denominations, increasing productivity and efficiency in the examination process.

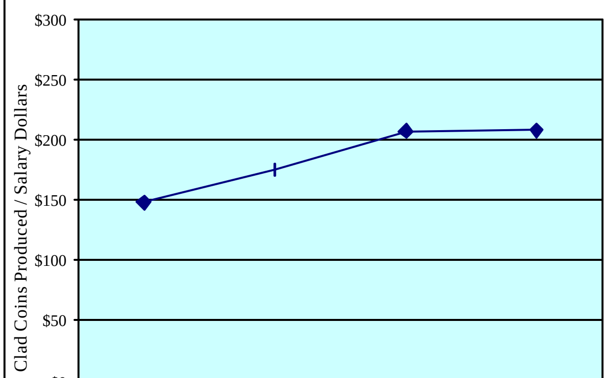
Fig. 16: BEP Productivity



	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000
% Change	3.0%	4.7%	1.5%	15.9%	-15.6%

During FY 2000, BEP productivity declined by nearly as much as it increased in FY 1999 (see Fig. 16). This anomaly in the otherwise favorable productivity trend of the past five years was anticipated as the currency program decreased by over 20% following the record production year in FY 1999. Also, a reduction in the postage stamp order for FY 2000 impacted the year-to-year result. Over the long term, overall Bureau productivity should continue to trend upward as a result of continued investments in state-of-the-art technology.

Fig. 17: U.S. Mint Productivity



	FY 1997	FY 1998	FY 1999	FY 2000
# Coins	$148	$175	$207	$208

During FY 2000, the Mint shipped 27.2 billion circulating coins compared to 20.4 billion in FY 1999, and productivity remained stable (see Fig. 17). This sharp increase in production is largely attributable to the 50 States Quarters program, production of the new Golden Dollar, and a sustained strong American economy. In addition to the increase in coin production, the mix of denominations produced has also changed. The production of non-penny coins has increased dramatically, as a percentage of total coins produced. In FY 2000, non-penny production equaled penny production for the first time in the Mint's more than 200-year history.

Treasury Programs

BEP designs, manufactures, and supplies U.S. currency to meet the requirements of the Federal Reserve Banks. The Bureau conducts extensive research into improving the security features of the currency as well as improving the durability and life expectancy of the notes.

The Mint produces the circulating coins necessary for the American economy to support commercial activities and maintains adequate inventory levels to meet Federal Reserve Bank requirements. It manufactures numismatic and bullion coins, medals and other coin products for sale to collectors, investors and the general public. In addition, the Mint employs innovative marketing techniques in promoting its numismatic and circulating commemorative coin programs.

FY 2000 Accomplishments and Performance Results

Key Accomplishments

- ***BEP.*** In FY 2000, the BEP achieved favorable manufacturing cost results in both its currency and postage stamp programs. Favorable cost performance in the currency program was driven by reduced spoilage, and an improvement in ink usage due to the implementation of several employee suggestions. Costs were also below target in the postage stamp program as a result of reduced spoilage, improved productivity in stamp coil processing and adjustments in staffing within the stamp production areas.

- ***The U.S. Mint.*** The Mint maintained productivity levels in producing and shipping 27.2 billion coins for circulation in FY 2000. This amount represents a 33% increase from the FY 1999 level. The Mint was not able to reach its cost goals for the circulating coinage for several reasons. The mix of denominations changed toward the higher value and higher cost denominations. Quarters and dollar coins made up 53% of clad and nickel shipments in FY 2000 compared with 40% in FY 1999. The Mint also incurred higher prices in FY 2000, compared to FY 1999, for nickel (65%) and copper (23%), the main ingredients in clad and nickel coinage. Goals are set not only for the circulating coinage but also for the numismatic and bullion operations. Since the Mint sells non-bullion products directly to the public and bullion products to authorized purchasers, customer service standards are set to ensure that the Mint strives to provide the highest quality service. The goals for Mint's customer service standards are intentionally high with the intent of raising the performance of the Mint to the highest levels possible. As such, the Mint met one customer service standard (Make bullion coins available within 6 days) and came very close to meeting a second standard (Provide an average quality rating of 95 on all customer service phone calls). In comparison with FY 1999 performance in Customer Service, the Mint improved or maintained performance on 5 of the 8 Customer Service Standards. This is especially significant considering growth in the demand for numismatic collectibles led to an increase of 107% in the number of products shipped to customers in FY 2000.

Performance Results

Following is a report on the performance targets in Treasury's FY 2000 Performance Plan related to this objective:

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
24	**9 (38%)**	15 (63%)	0	13 (54%)

Bureau of Engraving and Printing Performance Goal: *Meet customers' delivery requirements cost effectively*

Performance Measure: Percent of Federal Reserve Orders Met as Requested

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
100%	100%	100%	100%	**100%**

Explanation of Measure: A measure of BEP's ability to meet customer order delivery schedules. The customer considers this measure satisfied when complete shipments of finished currency are received in the Federal Reserve Vault where it is held prior to final distribution to Federal Reserve District Banks.

Performance Measure: Percent of U.S. Postal Service Orders Met as Requested

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
100%	100%	100%	100%	**100%**

Explanation of Measure: A measure of BEP's ability to meet customer order delivery schedules. The customer considers this measure satisfied if all postage product lines (i.e. coils, books, sheets) are shipped by BEP in accordance with shipping/ordering instructions received by BEP directly from Postmasters.

Performance Measure: Percent Change in Productivity from Prior Year

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
4.7%	1.5%	15.9%	-15%	-15.6%

Explanation of Measure: This is a measure of manufacturing efficiency, expressed as the percentage increase/decrease in BEP's overall productivity from one year to the next. It is measured by using Bureau of Labor Statistics methodology to calculate the increase/decrease in productivity. In this model, the productivity index measures operational output as compared to personnel resource input, to arrive at the number of units produced per workyear. The number of units produced per workyear is compared to the previous year. The change (increase/decrease) in productivity from the prior year is expressed as a percentage.

Explanation of Shortfall: Due to the reduction in the postage stamp order and a rebalancing of staff and resources in the currency program following the record production year in FY 1999, overall productivity declined by about as much as it increased in FY 1999. With stable production volume and continued investment in state-of-the-art technology, the Bureau’s long-term productivity trend should be favorable.

Performance Measure: Manufacturing Costs for Currency (dollar cost per thousand notes produced)

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
$18.65	$24.34	$25.87	$24.29	**$22.65**

Explanation of Measure: An indicator of currency manufacturing efficiency, and effectiveness of program management. This standard is developed annually based on the past year's performance, contracted price factors, and anticipated productivity improvements. Actual performance against standard depends on BEP's ability to meet annual spoilage, efficiency, and capacity utilization goals established for this product line.

Performance Measure: Manufacturing Costs for Stamps (dollar cost per thousand stamps produced)

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
$1.36	$1.39	$1.31	$1.59	**$1.46**

Explanation of Measure: The 100-stamp flag coil product line is the major stamp product produced by the Bureau. This measure is an indicator of postage stamp manufacturing efficiency, and effectiveness of program management. This standard is developed annually based on the past year's performance, contracted price factors, and anticipated productivity improvements. Actual performance against standard depends on BEP's ability to meet annual spoilage, efficiency, and capacity utilization goals established for this product line.

Performance Measure: Number of Notes Returned by Federal Reserve Due to Manufacturing Defects (per million notes produced)

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
0.0846	0.0039	0.0219	0.0250	1,956.00

Explanation of Measure: This measure is a qualitative indicator reflecting the Bureau's ability to provide quality products to our customer. It refers to any manufacturing flaw that the Federal Reserve determines as rendering the note unsuitable for circulation.

Explanation of Shortfall: In 2000, the Bureau commenced production of the redesigned $5 and $10 Federal Reserve Notes. In the initial production of the $10 note, one of the inks with counterfeit deterrent characteristics became contaminated during printing. Although these notes passed visual inspection, most of the notes were rejected by electronic currency authentication equipment at the Federal Reserve. To prevent recurrences of this problem, the Bureau is testing a statistical sample from all production using the same processing equipment as the Federal Reserve, and inspection equipment at the press has been upgraded.

Performance Measure: Number of Stamps Returned by U.S. Postal Service Due to Manufacturing Defects (per million stamps produced)

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
0.1920	0.0518	0.3365	0.1000	0.7153

Explanation of Measure: A qualitative indicator reflecting the Bureau's ability to provide quality products to our customer. Refers to any manufacturing flaw that the Postal Service determines to be unacceptable.

Explanation of Shortfall: The performance measure was not met because of a defect in one 10,000-stamp coil. Since stamp-manufacturing defects are measured on an individual stamp basis, the defective 10,000 coil is included in the defect statistic as 10,000 defects. This had a disproportionate impact on FY 2000 defect results for the stamp program. Excluding this one coil from the statistics would reduce the defect rate to 48.7, which exceeds the FY 2000 performance target. The Bureau implemented processing improvements that should prevent recurrence of this defect.

U.S. Mint Performance Goal: *Customer Service Standards associated with the "Numismatic and Bullion Coinage" budget activity*

Performance Measure: Percentage of Customer Calls Returned within One Work Day

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
93%	100%	98%	100%	75%

Explanation of Measure: This measure is used to evaluate the timeliness in returning customer phone calls regarding numismatic and bullion coinage products.

Explanation of Shortfall: The Mint, in the first half of FY 2000, received a large volume of calls that were related to an occurrence of poor incoming data transmission during FY 1999 which resulted in the loss of 60,000 orders. Also, the Mint faced demand in excess of projected sales for several of the commemorative coin programs in March through July, 2000. This led to high volumes of calls within that time period. The Mint is currently working to implement a project that will not only contain costs but also improve performance on customer service and order fulfillment. This project will redesign the Mint's online catalog, improve the ordering process, centralize the product-order fulfillment process, and initiate customer relationship management policies and practices.

Performance Measure: Percentage of Refunds Processed within 14 Work Days

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
41%	71%	88%	100%	80%

Explanation of Measure: This measure is used to evaluate the timeliness in processing customer refunds for numismatic and bullion coinage products.

Explanation of Shortfall: Performance on this measure was negatively impacted by implementation of a new correspondence management system installed to provide better management of customer satisfaction from order to fulfillment. Performance in this measure has shown improvement since the implementation of the new system, increasing from 76% at mid-year to 80% by year-end. The Mint is currently working to implement a project that will not only contain costs but also improve performance on customer service and order fulfillment. This project will redesign the Mint's online catalog, improve the ordering process, centralize the product-order fulfillment process, and initiate customer relationship management policies and practices.

Performance Measure: Percentage of Replacements Processed within 7 Work Days

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
78%	80%	29%	100%	30%

Explanation of Measure: This measure is used to evaluate the timeliness in processing replacements to customers of numismatic and bullion coinage products.

Explanation of Shortfall: Performance on this measure was negatively impacted by the implementation of a new correspondence management system to provide better management of customer satisfaction from order to fulfillment. Performance in this measure has shown dramatic improvement since the implementation of the new system, increasing from 4% in the month of January, to 30% for the entire FY 2000. The Mint is currently working to implement a project that will not only contain costs but also improve performance on customer service and order fulfillment. This project will redesign the Mint's online catalog, improve the ordering process, centralize the product-order fulfillment process, and initiate customer relationship management policies and practices.

Performance Measure: Percentage of Responses to Written Inquiries Mailed within Three Business Days

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
100%	86%	81%	100%	90%

Explanation of Measure: This measure is used to evaluate the timeliness in returning customers' written inquiries regarding numismatic and bullion coinage products.

Explanation of Shortfall: Performance on this measure was negatively impacted by the implementation of a new correspondence management system installed to provide better customer service from order to fulfillment. The labor-intensive task of responding to written customer correspondence has shown improvement due to addition of staff and the new system. Compared with a result of 81% for FY 1999, this measure has improved to 90% in FY 2000, an increase of 11%. The Mint is currently working to implement a project that will not only contain costs but also improve performance on customer service and order fulfillment. This project will redesign the Mint's online catalog, improve the ordering process, centralize the product-order fulfillment process, and initiate customer relationship management policies and practices.

Performance Measure: Percentage of Bullion Coins Made Available within Six Calendar Days from the Order Date

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
100%	100%	100%	100%	**100%**

Explanation of Measure: This measure is used to evaluate the availability to customers of bullion coinage products.

Performance Measure: Percentage of Customer Service Calls Providing a 95 Percent Average Quality Rate

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	100%	100%	97%

Explanation of Measure: This measure is used as a quality indicator regarding customer service for numismatic and bullion coinage products.

Explanation of Shortfall: A 95% Average Quality Rate was attained in 97% of the audited calls. The number of customer service inquiries has increased due to the dramatic rise in the number of new products . The Mint is currently working to implement a project that will not only contain costs but also improve performance on customer service and order fulfillment. This project will redesign the Mint's online catalog, improve the ordering process, centralize the product-order fulfillment process, and initiate customer relationship management policies and practices.

Performance Measure: Percentage of Customer Service Phone Calls Answered by Live Agent within 17.5 Seconds

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	43%	90%	76%

Explanation of Measure: This measure is used to evaluate the timeliness in answering incoming phone calls for customer service.

Explanation of Shortfall: The Mint is adding staff to better meet the needs of an increased call volume. Previous staffing levels needed to be increased in response to the second quarter post-holiday call load. Problems with order fulfillment for certain products led to high volume periods, which negatively affected the Mint's performance. Compared with the final result of 43% for FY 1999, the Mint result of 76% is an improvement of 77% in FY 2000. This improved performance was made while at the same time handling 328,453 calls in FY 2000 compared with 279,874 in the FY 1999 (an increase of 17% in the total number of calls received). The Mint is currently working to implement a project that will not only contain costs but also improve performance on customer service and order fulfillment. This project will redesign the Mint's online catalog, improve the ordering process, centralize the product-order fulfillment process, and initiate customer relationship management policies and practices.

Performance Measure: Percentage of Customer Correspondence Responded to within Three Business Days

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	60%	90%	73%

Explanation of Measure: This measure is used to evaluate the timeliness in responding to customer correspondence regarding numismatic and bullion coinage products.

Explanation of Shortfall: Performance on this measure was negatively impacted by the implementation in January 2000 of a new correspondence management system which was installed to provide better customer service from order to fulfillment. The labor-intensive task of responding to written customer correspondence has shown improvement due to addition of staff and the new system. Compared with a result of 60% for FY 1999, this measure has improved to 73% in FY 2000, an increase of 22%. The Mint is currently working to implement a project that will not only contain costs but also improve performance on customer service and order fulfillment. This project will redesign the Mint's online catalog, improve the ordering process, centralize the product-order fulfillment process, and initiate customer relationship management policies and practices.

U.S. Mint Performance Goal: *Produce coins and maintain inventories at sufficient levels to meet Federal Reserve Bank (FRB) requirement*

Performance Measure: Percentage of Time that Minimum, Seasonal-Adjusted, Inventory Levels Are Met

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	--	100%	**100%**

Explanation of Measure: This measure is used to evaluate the Mint's ability to meet the minimum inventory levels required by FRB, including inventory levels sufficient to respond rapidly to seasonal changes in levels of economic activity. Data to measure performance are obtained from the Mint and FRB coin inventory reports.

U.S. Mint Performance Goal: *By 2003, reduce the average cost of circulating coinage by 15 percent (including metal costs). The baseline year is FY 1998.*

Performance Measure: Average Cost per 1000 Units of Circulating Clad and Nickel Coinage (including metal)

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	$29.69	$31.27	$34.48	$39.16

Explanation of Measure: This measure is used to indicate the cost-efficiency of the Mint's production of clad and nickel circulating coinage. To compute the average cost per thousand units, total costs are divided by production, then multiplied by 1000. The Mint periodically determines average unit production costs and analyzes the related changes. As a result, the unit cost goals may also be revised. The unit cost of production data are obtained from Mint cost accounting reports, and represents manufacturing cost including metal and fabrication.

Explanation of Shortfall The Mint's cost per 1,000 units of clad and nickel coinage exceeded the goal of $34.48 by 14%. Actual results were affected by increased production of the higher value/cost denominations plus increased metals costs. In FY 2000, the Mint shipped 6.2 billion quarters, compared with 3.5 billion in FY 1999. Dollar coin operations also contributed to this result. The Susan B. Anthony Dollar was produced during the first quarter of FY 2000; and the Sacagawea Golden Dollar was produced during the second quarter. As a result, approximately 1.02 billion dollar coins were shipped in FY 2000. The Mint incurred higher prices in FY 2000, compared to FY 1999, for nickel (26%) and copper (6%), the raw materials that are the main ingredients in the clad and nickel coinage. Quarters and dollar coins made up 53% of clad and nickel shipments in FY 2000 compared with 40% in FY 1999. The increase in quarter demand alone, translates to an increase in metal costs of $79 million.

Performance Measure: Average Cost per 1000 Units of Circulating Pennies (including metal)

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	$8.84	$8.35	$7.74	$8.21

Explanation of Measure: This measure is used to indicate the cost-efficiency of the Mint's circulating penny coinage production. To compute the average cost per thousand units, total costs are divided by production, then multiplied by 1000. The Mint periodically determines average unit production costs and analyzes the related changes. As a result, the unit cost goals may also be revised. The unit cost of production data are obtained from Mint cost accounting reports, and represents manufacturing cost including metal and fabrication.

Explanation of Shortfall: The Mint exceeded its goal for circulating pennies in FY 2000. The total number of pennies shipped in FY 2000 was 13.7 billion, an increase of 2.1 billion from the 11.6 billion shipped in FY 1999. While shipping a higher volume, progress continues toward the goal as shown by a reduction from $8.35 in FY 1999 to the result of $8.21 in FY 2000.

Performance Measure: Clad and Nickel Coins Produced per Circulating Coin Production Payroll Dollar

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
148	175	207	170	**208**

Explanation of Measure: This measure is used to evaluate circulating productivity by providing a return ratio from production resources. It is computed by dividing total clad and nickel coins produced by the total payroll dollars for circulation production. Clad and nickel coins are defined as all coinage, excluding pennies.

U.S. Mint Performance Goal: *Match the best in business in product quality and customer service*

Performance Measure: Percent of Commemorative Coins Shipped Within Standard

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	82%	--	98%	87%

Explanation of Measure: This measure is used to evaluate timeliness in filling customer orders. The published turnaround time standard is four weeks for commemorative programs. The Mint does a weekly order fulfillment analysis of coin orders shipped within 2, 3, 4, and 5 weeks. This analysis allows the Mint to determine how often coin orders are shipped within the published turnaround time standard.

Explanation of Shortfall: The Mint shipped commemorative coins within the standard of four weeks 87% of the time. Heavy demand for the Yellowstone two-coin sets outstripped supply. The inability to obtain additional boxes for the two-coin set from the vendor resulted in many shipments being delayed by more than four weeks. Demand in excess of sales projections for the Leif Ericson and Library of Congress coins also affected performance under this measure. The Mint is currently working to implement a project that will not only contain costs but also improve performance on customer service and order fulfillment. This project will redesign the Mint's online catalog, improve the ordering process, centralize the product-order fulfillment process, and initiate customer relationship management policies and practices.

Performance Measure: Percent of Recurring Coin Products Shipped Within Standard

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	97%	--	98%	90%

Explanation of Measure: This measure is used to evaluate timeliness in filling customer orders. The published turnaround time standard is three weeks for recurring coin products. The Mint does a weekly order fulfillment analysis of coin orders shipped within 2, 3, 4, and 5 weeks. This analysis allows the Mint to determine how often coin orders are shipped within the published turnaround time standard.

Explanation of Shortfall: The Mint shipped recurring coin products within the standard of three weeks 90% of the time. The unique qualities of the 50 States Quarters program required and expanded version of the Mint's classic proof set. To accommodate proof versions of the five state quarters, the annual proof sets required revised processes to manufacture and package this expanded set. As an example, the 1999 proof sets, shipped in early FY 2000, included nine coins (penny, nickel, dime, five quarters, and half-dollar) as compared to the traditional five-coin proof sets of prior years. Automation, new coin lenses, and new packaging inserts all presented challenges in production that caused delays in readying this product for customer shipments. The introduction of the new Golden Dollar featuring Sacagawea into circulation during FY 2000 presented additional challenges to the Mint's recurring coin programs. Year 2000 proof sets have increased to ten coins from the nine-coin 1999 set, and uncirculated sets have 20 coins instead of 18 coins. Additionally, delivery of the year 2000 silver proof sets was delayed until the President signed into law a Congressional amendment to the Silver Proof Act. This Act was necessary in order to include the Golden Dollar in the silver proof set. The Mint is currently working to implement a project that will not only contain costs but also improve performance on customer service and order fulfillment. This project will redesign the Mint's online catalog, improve the ordering process, centralize the product-order fulfillment process, and initiate customer relationship management policies and practices.

U.S. Mint Performance Goal: *Deliver 15% profit margin on numismatic products and 2% profit margin on bullion by 2000*

Performance Measure: Numismatic/Bullion Contribution Margin for Bullion

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	1.7%	2.0%	1.9%

Explanation of Measure: This measure compares the Numismatic Contribution Margin – defined here as the excess of sales less all expenses other than General & Administrative (G&A) – for bullion, as a percentage of bullion sales. This measure is used to determine how well programs cover G&A expenses.

Explanation of Shortfall: The Mint did not reach the goal of 2% due to low demand for the bullion products. Since the revenue the Mint receives from the bullion program is basically cost plus a standard markup, the Numismatic Contribution Margin will be lower in times of low demand due to the fixed costs being spread among less revenues. Although the target of 2.0% was not met, the FY 2000 performance level (1.9%) is approximately 12% greater than the FY 1999 performance level (1.7%). The Mint is currently working to implement a project that will not only contain costs but also improve performance on customer service and order fulfillment. This project will redesign the Mint's online catalog, improve the ordering process, centralize the product-order fulfillment process, and initiate customer relationship management policies and practices.

Performance Measure: Numismatic Contribution Margin for Non-bullion

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	22%	15%	**32%**

Explanation of Measure: This measure compares the Numismatic Contribution Margin – defined here as the excess of sales less all expenses other than General & Administrative (G&A) – for non-bullion, as a percentage of non-bullion sales. This measure is used to determine how well programs cover G&A expenses.

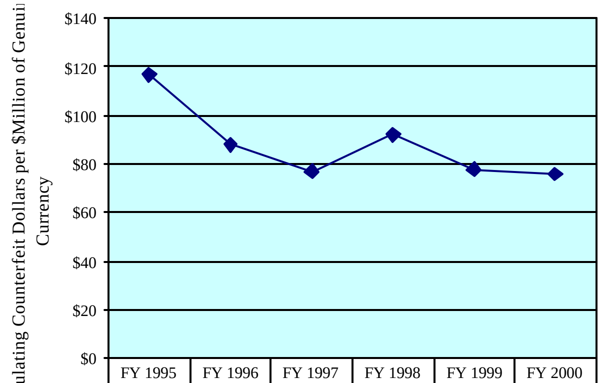
Treasury Objective: Continue to Explore Mechanisms for Maintaining the Integrity of U.S. Coin and Currency

Key Trends

Maintaining the integrity of U.S. currency is essential to the stability of the domestic and global economy. Both the relatively stable purchasing power of the U.S. dollar and its wide acceptance as a form of payment worldwide increase the importance of maintaining its security and integrity.

Continuing advances in technology available to counterfeiters require that counterfeit deterrence efforts remain as one of Treasury's priorities. A key trend indicator for this objective is the amount of counterfeit currency in circulation, which has shown an overall downward trend since FY 1995 (see Fig. 18).

Fig. 18: Counterfeit Dollars in Circulation



	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000
Cnft / $M	$117	$88	$77	$92	$78	$76

Treasury Programs

- The Bureau of Engraving and Printing (BEP) is continuing efforts to improve currency security to thwart technological advances available to counterfeiters. BEP works with the Advanced Counterfeit Deterrence Steering Committee (which includes the U.S. Secret Service, Treasury policy officials, and the Federal Reserve) to monitor counterfeiting activities and to develop appropriate strategies to avert counterfeiting. BEP also works with the public and private sectors to explore technologies in the rapidly developing field of counterfeit deterrence.

- The U.S. Mint safeguards the Government's stock of gold and silver bullion, coins, and coinage metals held at Fort Knox, Kentucky, and other locations.

FY 2000 Accomplishments and Performance Results

Key Accomplishments

- ***BEP*** completed the phased introduction of the first major redesign of U.S. currency notes in over 60 years with the production of redesigned $5 and $10 notes. Concurrently, the Bureau is planning and preparing for another currency redesign beginning in 2003 that will incorporate further design enhancements to complement and strengthen the existing array of design features protecting notes. In FY 2000, BEP began the acquisition of new offset printing technology that will provide some of the additional production capability needed for this 2003 redesign.

- ***The Mint*** secures more than $67 billion of the Nation's gold and silver reserves. In FY 2000, the Mint produced and shipped $3.2 billion in circulating coinage and processed more than $488 million in customer payments for numismatic and bullion products. Mint police protect these assets while safeguarding approximately 2,700 Mint employees against potential threats at six facilities.

Performance Results

Following is a report on the performance targets in Treasury's FY 2000 Performance Plan related to this objective:

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
4	**3 (75%)**	1 (25%)	0	3 (75%)

U.S. Mint Performance Goal: *Provide a level of security commensurate with changing threats*

Performance Measure: Losses per Billion Dollars of Reserve Value

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	**Performance**
--	--	$0.0	$0.0	**$0.0**

Explanation of Measure: This measure compares the market value of annual losses with the market value of the protected monetary assets held by the Mint. The Mint's goal is to provide a level of security commensurate with changing threats to protect Mint human and physical resources and the assets of the United States. A loss has been defined as "The cumulative actual Government and physical monetary loss that has been: 1) reported, 2) investigated, and 3) verified as unrecoverable." Reserve value is custodial gold and silver reserves and operating gold and silver from inventory as stated in Mint annual financial statements.

Bureau of Engraving and Printing Performance Goal: *Produce consistently high-quality counterfeit-deterrent notes.*

Performance Measure: Number of Notes Returned by Federal Reserve Because of Counterfeit Deterrence Defects (per million notes produced)

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000 Target	FY 2000 Performance
0.5656	0.0049	0.0453	0.05	4,619.00

Explanation of Measure: A qualitative indicator reflecting the Bureau's ability to provide effective counterfeit deterrent products. This measure focuses on manufacturing flaws related to counterfeit deterrence features of new design currency. Counterfeit deterrence defects are of the following types:

- Defects of covert features, (machine-readable) which prevents authentication by commercial automated cash handling equipment.
- Defects of overt features, (visible to the human eye) which may be confused by the user as a counterfeit note rather than an imperfect genuine U.S. currency note.

Explanation of Shortfall: In 2000, the Bureau commenced production of the redesigned $5 and $10 Federal Reserve Notes. In the initial production of the $10 note, one of the inks with counterfeit deterrent characteristics became contaminated during printing. Although these notes passed visual inspection, most of the notes were rejected by electronic currency authentication equipment at the Federal Reserve. To prevent recurrences of this problem, the Bureau is testing a statistical sample from all production using the same processing equipment as the Federal Reserve, and inspection equipment at the press has been upgraded.

Bureau of Engraving and Printing Performance Goal: *Maintain an accurate and cost effective system of accountability for Bureau products, which will ensure that products are accounted for during production and that customers receive the correct quantities of product*

Performance Measure: Currency Shipment Discrepancies (per million notes)

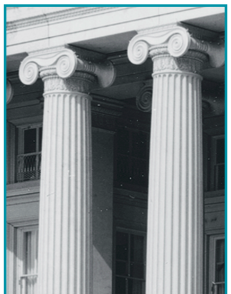
FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000 Target	FY 2000 Performance
0.01135	0.0192	0.0092	0.01	**0.0012**

Explanation of Measure: A qualitative indicator reflecting the Bureau's ability to provide effective product security and accountability. This measure refers to product overages or shortages of as little as a single currency note, in shipments of finished notes to the Federal Reserve Banks.

Performance Measure: Postage Stamp Shipment Discrepancies (per million stamps)

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
25.8	12.8	14.0	20.0	**8.0**

Explanation of Measure: A qualitative indicator reflecting the Bureau's ability to provide effective product security and accountability. Because stamp products are packaged and sold to the Postal Service, in either coils, books, or sheets of varying subject sizes (e.g. 100 stamps per coil, 20 stamps per book, etc.), a discrepancy of one stamp coil could translate to a reportable discrepancy of 100 stamps. (A 100 stamp coil equals 100 individual stamps.)



PART III

LAW ENFORCEMENT: SAFEGUARD OUR FINANCIAL SYSTEMS, PROTECT OUR NATION'S LEADERS, AND SECURE A SAFE AND DRUG-FREE AMERICA

LAW ENFORCEMENT MISSION AREA SUMMARY

MISSION: SAFEGUARD OUR FINANCIAL SYSTEMS, PROTECT OUR NATION'S LEADERS, SECURE A SAFE AND DRUG-FREE AMERICA

Treasury's law enforcement functions represent a significant portion of the Federal Government's law enforcement effort. Combining regulatory and investigative expertise, Treasury's law enforcement responsibilities are unique and critical to fostering a safe nation.

The U.S. Customs Service (Customs) plays a critical role in protecting our borders by preventing the smuggling of drugs and other contraband and money laundering, and ensuring that all goods and persons entering and exiting the United States do so in compliance with all U.S. laws and regulations. The Bureau of Alcohol, Tobacco and Firearms (ATF) combats violent crime, collects revenue, and promotes regulatory compliance through its enforcement of Federal laws and regulations pertaining to alcohol, tobacco, firearms, explosives and arson. The U.S. Secret Service protects the President, Vice President, visiting foreign heads of state and major presidential candidates; provides uniformed protection of the White House; and coordinates the design, planning, and implementation of security operations for National Special Security Events. The Secret Service also suppresses counterfeiting and financial crimes involving the currency, obligations and securities of the United States. The Financial Crimes Enforcement Network (FinCEN) implements regulations to combat money-laundering and serves as a key source for the systematic collection, analysis and dissemination of information to assist in the investigation of money laundering and financial crimes. The Internal Revenue Service (IRS) enforces compliance with tax laws and uses its unique financial investigative capabilities to suppress money laundering and financial crime. The Federal Law Enforcement Training Center (FLETC) trains the vast majority of Federal law enforcement personnel, in addition to providing State, local, and international training. Basic training is provided to police and investigative personnel and advanced programs are provided in areas of common need. The Executive Office for Asset Forfeiture (TEOAF) manages the funds generated by the Treasury Forfeiture Fund with the goal of dismantling criminal organizations by taking the profits out of crime. Office of Foreign Assets Control (OFAC) administers economic sanctions against selective foreign countries, international narcotics traffickers, and international terrorists in furtherance of U.S. foreign policy and national security goals.

In achieving the goals in this mission area, Treasury works closely with other departments and agencies with cross-cutting activities to ensure coordination. These include the Departments of Justice, State, Defense, Commerce, Interior, Agriculture, and Transportation, the Central Intelligence Agency, and the Federal Reserve Board. In addition, Treasury coordinates with various Executive Offices, such as the Office of National Drug Control Policy and the National Security Council.

FY 2000 Highlights

- In March 2000, Treasury published the second in a series of five annual reports on National Money Laundering Strategy (NMLS) as required by the Money Laundering and Financial Crimes Strategy Act of 1998. The Strategy contains over 60 action items to help law enforcement and regulatory agencies in the fight against financial crimes, including money laundering.

- The total quantity of narcotics seized by the United States Customs Service in FY 2000 was up by 145,352 pounds, or 12.8 %, over that seized in FY 1999. The seizure of methamphetamine, by weight, increased by 20.5%. The epidemic rise in the use of the drug "ecstasy" has resulted in tripling the number of dosage units seized to more than 9.3 million units in FY 2000.

- In September 2000, ATF's new "eZ Check" system went online on the Internet. The new system helps members of the firearms industry ensure that no firearms licenses are used fraudulently by individuals who alter copies of licenses to illegally acquire and supply firearms to criminals and youth.

- Consistent with the FY 2000 performance plan targets, the Secret Service completed 6,218 financial crime cases involving $379 million in actual losses and $980 million in potential loses, resulting in 3,646 arrests.

- FinCEN continued to provide analytical case support to law enforcement, providing over 6,000 reports on over 30,000 subjects. FinCEN also provided specially tailored forms of assistance that allowed other agencies' staff to have direct access to FinCEN's resources. Through these programs, FinCEN supported 7,000 cases in FY 2000, an increase of 24 percent over the previous year.

- Under the Foreign Narcotics Kingpin Designation Act ("the Kingpin Act"), signed into law on December 3, 1999, OFAC administers a program targeting the activities of significant foreign narcotics traffickers and their organizations on a worldwide basis. The Kingpin Act is modeled after OFAC's economic sanctions program against Colombian drug cartels. Following extensive interagency preparation coordinated by OFAC, on June 1, 2000, President Clinton identified 12 foreign persons, located in Africa, Asia, the Caribbean and Mexico, as significant foreign narcotics traffickers or "Kingpins."

- In FY 2000, in addition to meeting all basic training demands from participating agencies, the FLETC provided advanced training to 10,985 students. Additionally, 3,383 state and local law enforcement officers and 323 international officers were trained at the FLETC facilities and export training sites.

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
58	**43 (74%)**	12 (21%)	3 (5%)	33 (57%)

GOAL: COMBAT MONEY LAUNDERING AND OTHER FINANCIAL CRIMES

To enjoy the profits of their crime, whether drug trafficking, fraud, firearms trafficking, or terrorism, criminals must launder their proceeds to get them into legitimate commerce. Along with other Federal departments and agencies, Treasury battles money laundering by employing state-of-the-art technology and undercover investigations to identify illegal financial activity that is intermingled with actual or apparent legal activity. Treasury also works with the private sector to enhance the usefulness of financial information provided by banks and other financial institutions. Since money laundering is prevalent throughout the United States and around the world, Treasury endeavors to build and strengthen alliances with State, local, and international partners. The Department is also responsible for conducting investigations of criminal activities that threaten our Nation's financial systems and economy. Specifically, Treasury is responsible for investigating the counterfeiting of currency and securities; forgery and altering of Government checks and bonds; thefts and frauds relating to Treasury electronic funds transfers; financial access device fraud; telecommunications fraud; computer and telemarketing fraud; and fraud related to federally insured financial institutions.

Key Partners in Achieving this Goal Include: The Departments of Justice and State, the National Security Council, the Federal Reserve Board, various financial institutions (banks, credit unions, money service businesses), state and local authorities, and various international working groups (Financial Action Task Force, Asia Pacific Group on Money Laundering, Inter-American Drug Abuse Control Commission)

Benefits to the American Public: Protection of financial systems is key to ensuring economic stability of our Nation.

FY 2000 Highlights

- During FY 2000, the Secret Service reported that there were $76 of counterfeit U.S. currency passed for every million dollars of genuine currency in circulation. The FY 2000 figure represents a decrease from FY 1999 and a $19 decrease from the established FY 2000 target. There were $39.7 million in counterfeit notes passed domestically in FY 2000, 12% less than originally projected. A total of $1.4 million in counterfeit U.S. currency was passed in foreign countries during FY 2000. The Secret Service successfully closed 12,089 counterfeit cases, resulting in 3,958 arrests, and 578 counterfeit plant suppressions.

- Consistent with the FY 2000 performance plan targets, the Secret Service completed 6,218 financial crime cases involving $379 million in actual losses and $980 million in potential loses, resulting in 3,646 arrests.

- By forging partnerships with foreign law enforcement agencies, the Secret Service seized $191 million in counterfeit U.S. currency prior to it reaching circulation and suppressed 27 counterfeit plant operations in foreign countries along with many significant successful investigations in the financial crimes arena.

- Customs officers seized a combined $42.1 million in real property and other property as a result of money laundering cases. The value of real property seizures and seizures of other types of property as a result of money laundering cases has increased by $11.7 million from the FY 1999 figure and by $4.6 million over the projected target figure for FY 2000.

- In Outbound operations, over $62 million in smuggled currency was seized, the second highest annual total in Customs history.

- In March, 2000, Treasury published the second in a series of five annual reports on National Money Laundering Strategy (NMLS) as called for by the Money Laundering and Financial Crimes Strategy Act of 1998. The Strategy contains over 60 action items to help law enforcement and regulatory agencies in the fight against financial crimes, including money laundering.

- The Financial Crimes Enforcement Center (FinCEN) provided analytical case support to law enforcement, providing over 6,000 reports on over 30,000 subjects. FinCEN also provides specially tailored forms of assistance to law enforcement agencies that permit their staff to have direct access to FinCEN's resources. Through these programs, FinCEN supported 7,000 cases in 2000, an increase of 24 percent over the previous year.

- FinCEN also continued to expand opportunities for networking investigative efforts among various agencies using its systems to identify when two or more federal or state law enforcement organizations are looking at the same set of suspects. The number of networking opportunities through the Gateway program alone increased by 34 percent in FY 2000.

- FinCEN continued to support the expansion of countries or jurisdictions having financial investigative units (FIUs) that meet the standards of the Egmont Group. In FY 2000, the number of Egmont FIUs increased from 48 to 53.

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
25	**21 (84%)**	3 (12%)	1 (4%)	15 (60%)

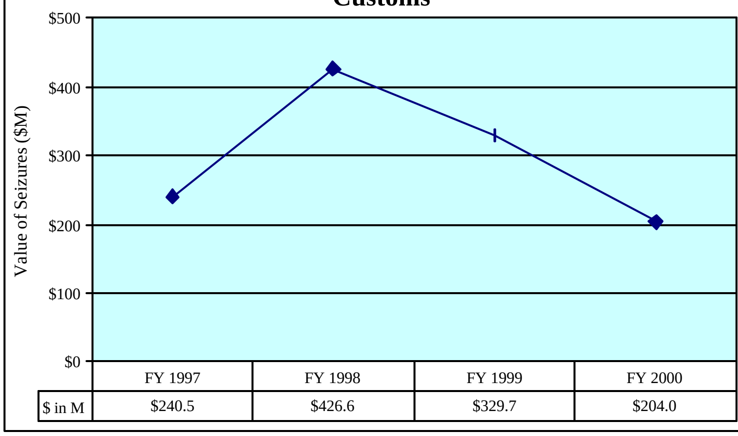
Treasury Objective: Dismantle Domestic and International Money Laundering Networks

Key Trends

Money laundering is the act of disguising the illicit nature of illegal proceeds by introducing them into legitimate commerce and finance. The common image of money laundering involves the "washing" of drug money off the streets of our cities through transactions that turn it into bank deposits and other apparently lawful assets. Criminals launder money through banks, money transmitters, stock brokerage houses, and casinos. Today, large amounts of money involving illegal proceeds can be moved into or through the United States or foreign financial institutions at the touch of a computer button.

While no hard numbers exist on the amount of worldwide money laundering, the global volume has been estimated to be somewhere between $600 billion and $1.5 trillion or between two and five percent of the world's gross domestic product.[1] In light of American financial institutions' prominent role in the international financial system, a substantial amount of total illegal proceeds is likely laundered through the United States each year.

Fig. 19: Value of Monetary Instruments Seized by Customs



Only a small fraction of these proceeds are confiscated. For example, the value of all forms of monetary instruments (e.g., currency, bank accounts, traveler's checks, negotiable bonds) seized by, or in cooperation with, Customs officers for violations related to drug and other enforcement activities during FY 2000 was roughly $200 million (see Fig. 19).

Treasury Programs

Several Treasury bureaus cooperate in the fight against money laundering:

The Internal Revenue Service's Criminal Investigation Division (IRS-CID) investigates criminal and civil money laundering and currency reporting violations under the criminal financial codes of Titles 18 and 31, and has primary investigative jurisdiction for money laundering crimes involving banks and other financial institutions.

The U.S. Customs Service's (Customs) primary anti-money laundering role is to conduct illegal drug and currency interdiction at the U.S. borders. Customs also enforces the reporting of currency and reporting of currency and monetary instruments brought into and removed from the United states, as required by the Bank Secrecy Act. Customs has a broad grant of authority to conduct international financial crime and money laundering investigations and initiatives within its role as a border enforcement agency. In addition, Customs operated the Money Laundering Coordination Center, which serves as a depository for all intelligence information gathered through undercover money laundering investigations and functions as the coordination center for both domestic and international undercover money laundering operations

The Financial Crimes Enforcement Network (FinCEN) supports law enforcement investigative efforts and fosters interagency and global cooperation against domestic and international financial crimes, and provides U.S. policy makers with strategic analyses of domestic and worldwide money laundering developments, trends, and patterns. FinCEN accomplishes this through information collection, analysis and technological assistance to other law enforcement organizations, and through the cost-effective implementation of the Bank Secrecy Act and other Treasury authorities.

[1] Source: National Money Laundering Strategy (March 2000)

The Secret Service and the Bureau of Alcohol Tobacco and Firearms (ATF) both investigate money-laundering cases as part of their traditional law enforcement functions.

The Office of the Comptroller of the Currency (OCC) and the Office of Thrift Supervision both provide guidance on money laundering issues to the institutions they regulate and examine those institutions for compliance with Bank Secrecy Act requirements.

Other agencies involved in fighting money laundering include the Department of Justice's Federal Bureau of Investigation, Drug Enforcement Administration and the ninety-four U.S. Attorney's Offices, the United States Postal Inspection Service, and the Department of State.

FY 2000 Key Accomplishments and Performance Results

Key Accomplishments

- In March 2000, Treasury published the second in a series of five annual reports on National Money Laundering Strategy (NMLS) as called for by the Money Laundering and Financial Crimes Strategy Act of 1998. The Strategy contains over 60 action items to help law enforcement and regulatory agencies in the fight against financial crimes, including money laundering.

- ***IRS-CID*** contributed significantly to the development of the NMLS and is deeply involved in implementing all aspects of the Strategy. One key action item is the designation of High-Risk Money Laundering and Related Financial Crime Areas (HIFCAs). The designation of HIFCAs is intended to concentrate Federal, state and local law enforcement efforts on combating money laundering in high-intensity money laundering zones. IRS-CID supports each of the four HIFCAs, and maintains a strong presence in each one. Additionally, during FY 2000, 1,606 of the 3,372 (47.6%) cases investigated by IRS-CID involved money laundering or currency violations. IRS-CID has seized millions of illegal drug profits, including one investigation that resulted in a seizure of over $130 million.

- ***Customs:*** In FY 2000, seventy-four percent of Customs' 4.8 million investigative staff-hours were dedicated to narcotics smuggling and money laundering. As a result, Customs seized $204.1 million in monetary instruments resulting from illicit activities, and a combined $42.1 million in real property and other property resulting from money laundering cases.

- Customs has seen a shift in criminal money laundering strategies over the last few years. Because of effective enforcement, some of the established methods have given way to riskier smuggling techniques, such as shipments of bulk cash. In FY 2000 "Outbound" operations, over $62 million in smuggled currency was seized, the second highest annual total in Customs history. In one case, Operation Powerplay, Customs made 262 currency seizures totaling over $11.3 million. This outbound enforcement operation also resulted in 38 federal currency arrests, 107 National Criminal Information Center (NCIC) arrests, and 39 state and local arrests, including individuals wanted for child pornography, incest, armed robbery, DUI, drug possession, and domestic violence.

- ***FinCEN:*** FinCEN continued to provide analytical case support to law enforcement, providing over 6,000 reports on over 30,000 subjects. FinCEN also provided specially tailored forms of assistance that allowed other agencies' staff to have direct access to FinCEN's resources. Through these programs, FinCEN supported 7,000 cases in FY 2000, an increase of 24 percent over the previous year.

- FinCEN also continued to expand opportunities for networking investigative efforts among various agencies using its systems to identify when two or more federal or state law enforcement organizations are looking at the same set of suspects. The number of networking opportunities through the Gateway program alone increased by 34 percent in FY 2000.

- ***OCC:*** During FY 2000, the OCC published a new Bank Secrecy Act/Anti-Money Laundering Examination Handbook to provide guidance on compliance and examination issues related to money laundering.

Performance Results

Following is a report on the performance targets in Treasury's FY 2000 Performance Plan related to this objective:

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
19	**15 (79%)**	3 (16%)	1 (5%)	12 (63%)

Customs Service Performance Goal: *To identify, disrupt and dismantle the systems and criminal organizations that launder the proceeds generated by smuggling, trade fraud, and export violations*

Performance Measure: Value of Property Seized (in millions)

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
$34.4	$22.6	$30.4	$37.5	**$42.1**

Explanation of Measure: The monetary value of tangible property (real estate, vehicles, jewelry) seized within the territorial jurisdiction of the United States (or in foreign pre-clearance locations) by or with the participation of Customs officers, in association with financial crimes investigations, as recorded in the Customs Case Management System.

Performance Measure: The Value of All Forms of Monetary Instrument Seizures (in millions)

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
$240.5	$426.6	$329.7	$336.6	$204.1

Explanation of Measure: The value of all forms of monetary instruments (currency, bank accounts, traveler's checks, negotiable bonds, etc.) seized within the territorial jurisdiction of the United States (or in foreign pre-clearance locations) by or with the participation of Customs officers, in association with financial crimes investigations, as recorded in the Customs Case Management System.

Explanation of Shortfall: The primary reason for the shortfall is the shift in outbound cash smuggling methods used by criminal organizations. The shift in these smuggling methods is partially due to the immense success of Operation Casablanca and other high profile money laundering operations. As a result, much of FY 2000 was spent re-targeting high-risk smuggling areas currently utilized by money launderers. The re-targeting effort has created a time lag between the new types of money laundering cases worked and the number of seizures associated with these cases.

Financial Crimes Enforcement Network Performance Goal: *Provide quality and timely investigative support and networking to FinCEN's customers*

Performance Measure: Percent of the Total Gateway Query Results that are Rated as Valuable

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	--	60%	No Data

Explanation of Measure: FinCEN's case support includes providing raw data and analytical reports to federal, state and local law enforcement. The purpose of this measure is to ascertain the effectiveness and usefulness of work products.

Explanation of Shortfall: No data was captured to report on accomplishments against this target. The Gateway System was not redesigned as planned to capture the necessary data. FinCEN is examining other mechanisms to capture feedback from Gateway customers in the future.

Performance Measure: Number of Tactical Cases Completed

(a) # of subjects
(b) # of cases

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
(a) 23,573	26,732	36,483	28,000	**36,209**
(b) 6,739	6,816	6,868	6,500	6,151

Explanation of Measure: This measure provides an indicator of the yearly activity level of financial intelligence case support provided to law enforcement and regulatory communities.

Explanation of Shortfall: As FinCEN continues to expand the number of Federal users with access to Bank Secrecy Act information through the Gateway Program, fewer routine cases will be handled by FinCEN analysts. The plan is for FinCEN analysts to handle primarily more complex, high-profile cases to make the most effective use of limited staff.

Performance Measure: Number of Interagency Alerts Issued by the Gateway System

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
920	1,429	1,580	1,500	**2,123**

Explanation of Measure: This measure provides an indicator of the number of opportunities FinCEN has to reduce duplicative investigative efforts and to enhance cooperative efforts among law enforcement entities. (The Gateway system notifies FinCEN when an individual, business, or organization has been queried by a user and is the subject of an investigation by another agency.)

Performance Measure: Percent of Increase in the Number of Non-Paper Suspicious Activity Reports (SARs) Filed

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
30%	--	38%	40%	**48%**

Explanation of Measure: This measure monitors the progress achieved in converting financial institutions to filing non-paper SARs. The increase in non-paper filing will provide increased timeliness and quality of the reports.

***Financial Crimes Enforcement Network Performance Goal**: Provide useful information to law enforcement and regulatory partners about trends, patterns, and issues associated with money laundering*

Performance Measure: Number of New Systems and Databases Developed or Enhanced by Integrating Advanced Tools for Use in Intelligence, Investigative, and Management Support

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
1	12	8	7	**11**

Explanation of Measure: This measure indicates how well FinCEN capitalizes on new technology and advanced computer systems to assist analysts in accessing and analyzing information, and in communicating with the law enforcement, regulatory, and international communities.

Performance Measure: Number of Analytical Projects Culminating in the Issuance of Reports, Studies and/or Oral Presentations That Were Deemed of Value to Law Enforcement Investigative Efforts

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
1	4	9	12	**20**

Explanation of Measure: This measure indicates progress in providing analytically based reports and studies that are of value to law enforcement investigative efforts. The projects are comprehensive and assist the law enforcement, regulatory, and banking communities to better detect and prevent money-laundering activity.

Financial Crimes Enforcement Network Performance Goal: *Administer effectively the Bank Secrecy Act in order to support prevention, detection, and prosecution of money laundering*

Performance Measure: Number of 'Partnership Efforts' with Law Enforcement, Regulatory, and Financial Communities to Design Workable and Cost-Efficient Anti-Money Laundering Rules

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
5	8	11	8	**17**

Explanation of Measure: Explanation of Measure: This measure is designed to evaluate FinCEN's regulatory reform goals. FinCEN's goal is to reduce the regulatory burden on financial institutions while at the same time maintaining the benefit to law enforcement of the regulatory data collected. The effectiveness of FinCEN's regulatory proposals depends on participation of law enforcement, regulatory, and financial communities in the regulatory development process and their use of regulatory data to detect crime. FinCEN's participation goal is achieved through conducting meetings, conferences and open public hearings.

Performance Measure: Average Time to Process a Civil Penalty Case (years)

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	2.0	2.0	**1.8**

Explanation of Measure: This measure monitors progress in reducing the average processing time for civil penalty matters from a 1997 baseline of 4.23 years.

Performance Measure: Number of Consultations with Law Enforcement, Regulatory, and Financial Communities to Keep Pace with Technological and Commercial Changes

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
5	9	9	8	**8**

Explanation of Measure: This measure indicates the level of effort by FinCEN to inform the law enforcement and regulatory communities, financial industry and the general public on technological developments in money laundering. FinCEN brings together experts to discuss the nature and the implications of evolving payment systems on anti-money laundering efforts.

Financial Crimes Enforcement Network Performance Goal: *To establish and strengthen mechanisms for the exchange of information globally, and engage and support international partners in taking steps necessary to combat money laundering and other financial crimes*

Performance Measure: Percentage of Countries/Jurisdictions with Membership in "Financial Action Task Force (FATF)"-type Organizations

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	30	41	42	**47**

Explanation of Measure: This measure indicates the effectiveness of efforts to encourage and promote active participation of countries/jurisdictions in the fight against money laundering. ["FATF-type" organizations serve as a forum for promoting anti-money laundering programs.]

Performance Measure: Percent of Countries/Jurisdictions Submitting to a Peer Evaluation

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	38	40	38	**40**

Explanation of Measure: This measure indicates the level of progress achieved by FinCEN in encouraging countries and jurisdictions to take part both in evaluating fellow members and in being evaluated by other members of international anti-money laundering forums, regarding the effectiveness of their anti-money laundering efforts.

Performance Measure: Percentage of Countries/Jurisdictions having Units that Meet the Egmont Group's Financial Intelligent Unit (FIU) Definition

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
14%	--	24	26	**26**

Explanation of Measure: This measure indicates the effectiveness of FinCEN's efforts to promote and assist in the creation of FIUs, which enhance the ability of countries to coordinate their efforts against money laundering and other financial crimes. [The Egmont Group of FIUs has established a standard definition for FIUs that has been endorsed by a number of international organizations.]

Performance Measure: Number of Investigative Information Exchanges Coordinated with Foreign Financial Intelligent Units (FIUs)

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	217	200	**221**

Explanation of Measure: This measure indicates the effectiveness of FinCEN's efforts to promote direct operational cooperation on anti-money laundering investigations internationally. Investigative information exchanges include FinCEN providing information to foreign FIUs in support of their anti-money laundering activities and requesting information from FIUs on behalf of U.S. domestic law enforcement anti-money laundering investigations.

***Executive Office of for Asset Forfeiture Performance Goal**: To support the Department of Treasury's national asset forfeiture program in a manner that results in Federal law enforcement's continued and effective use of asset forfeiture as a high impact law enforcement sanction to punish and deter criminal activity*

Performance Measure: Days Between the Forfeiture of Real Property and Sale of the Property

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
330	421	394	365	**337**

Explanation of Measure: A measurement of the average number of days between the day real property is forfeited and the day the property is disposed of through sale.

Performance Measure: Percentage of Administrative Forfeiture Cases Processed Timely

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
68%	68%	70%	72%	**74%**

Explanation of Measure: A measurement of the percent of administrative seizures that were completed in a timely manner (six months for ATF, IRS, and Secret Service, and nine months for Customs).

Performance Measure: Days Required to Process Equitable Sharing Payments

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000 Target	FY 2000 Performance
284	271	219	200	297

Explanation of Measure: A calculation of the average number of days between the forfeiture of an asset for which there is an equitable sharing request by a state or local law enforcement agency and the issuance of a sharing check.

Explanation of Shortfall: The U.S. Customs Service makes the vast majority (82.5%) of equitable sharing payments. However, the review process at this agency is slow and cumbersome. In FY 2001, an automated equitable sharing module will be incorporated into the SEACATS system that will streamline and expedite the process.

Financial Crimes Enforcement Network Performance Goal: *Modify and administer the BSA rules to provide useful law enforcement information, reduce burdens of compliance, adapt to technology changes, and enhance partnership among law enforcement, regulator, and the financial communities*

Performance Measure	CY 1998 Actual	CY 1999 Target	CY 1999 Actual
Performance Measure: Percent Reduction in the Number of Currency Transaction Report s (CTRs) Due to Elimination or Reformulation of Compliance and Information Collection Requirements from 1996 Baseline	1.3% (Corrected Actual)	5%	-1.0%

Explanation of Measure: This measure monitors the progress in reducing the CTR burden of depository institutions. FinCEN revised the CTR to reduce the amount of information required, promulgated a new rule permitting depository institutions to exempt some entities from filing CTRs on every transaction in excess of $10,000, and allowed banks to unilaterally exempt a large percentage of businesses from routine currency reporting requirements.

Explanation of Shortfall: The data for CY 1999 was not available at the time the FY 1999 Program Performance Report was published. Since the FY 1999 results did not meet the target, FinCEN has undertaken a study to determine cause of the increase in CTR reporting. Pending the results of the study, FinCEN will reevaluate what the appropriate performance measure should be.

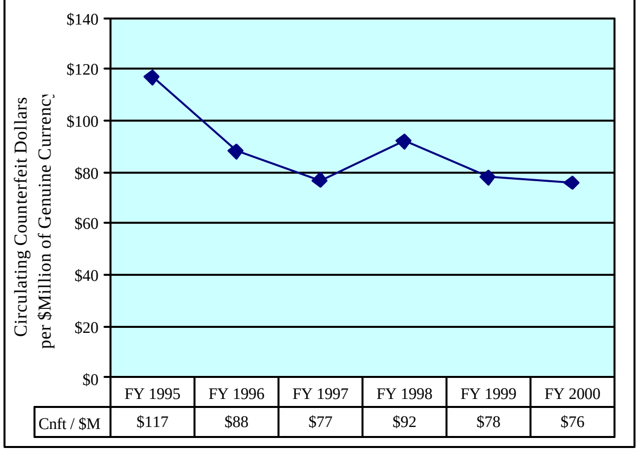
Treasury Objective: Reduce Counterfeiting and Other Criminal Threats to Our Financial System

Key Trends

Advances in technology have changed the nature of financial transactions from paper currency and coins to today's use of electronic payment systems. Counterfeiting, electronic device schemes, and other financial crimes have cost consumers, financial institutions, and governments billions of dollars.

Overall, actual dollar loss to the public resulting from financial crime was $379 million in FY 2000, a reduction of $120 million from FY 1999 levels. The level of counterfeit currency in circulation has shown an overall downward trend since FY 1995 (see Fig. 18).

Fig. 18: Counterfeit Dollars in Circulation



Treasury Programs

The Secret Service is responsible for conducting investigations of criminal activities that may compromise our nation's financial systems.

The Service's responsibilities in criminal investigations have increased significantly as a result of this technological evolution. The Service uses a proactive approach to criminal investigations of significant economic and community impact under its jurisdiction by recommending to the financial services community industry safeguards to prevent crimes before they have a chance to occur.

FY 2000 Key Accomplishments and Performance Results

Key Accomplishments

- FY 2000 was a very productive year for the Secret Service investigative program despite a heavy protective workload. During the year, the Service closed 18,611 financial crime-related cases, resulting in 7,843 arrests. In addition, 7,520 indictments were handed down as a result of cases completed. By enhancing its partnerships with the U.S. Attorney's Offices nationwide, the Service achieved its goal of having at least 50 percent of the cases that it referred for prosecution actually accepted for federal prosecution.

- The Secret Service achieved all of its counterfeit-related performance goals for FY 2000. The Service successfully closed 12,089 counterfeit cases, resulting in 3,958 arrests, and 578 counterfeit plant suppressions. The Service continues to stress its foreign liaison and aggressive law enforcement efforts in areas with significant counterfeit and financial crime activity. Forging partnerships with law enforcement agencies in foreign countries has lead to seizures of $191 million in counterfeit U.S. currency prior to it reaching circulation in foreign countries, along with many successful investigations in the financial crimes arena. As noted in the graph above, the levels of counterfeit currency in circulation have been declining.

- The Secret Service continues to proactively investigate cases involving crimes against the financial system infrastructure of the United States. Consistent with the FY2000 performance plan targets, the Secret Service completed 6,218 financial crime cases involving $379 million in actual losses and $980 billion in potential losses avoided, resulting in 3,646 arrests.

Performance Results

Following is a report on the performance targets in Treasury's FY 2000 Performance Plan related to this objective:

Performance Summary				
Total Measures	Targets Met	Targets Not Met	Other	Maximum or Improved Performance
6	**6 (100%)**	0	0	3 (50%)

Secret Service Performance Goal: *Reduce losses to the public attributable to counterfeit currency and financial crime under the jurisdiction of the Secret Service*

Performance Measure: Counterfeit Notes Passed per Million Dollars Genuine U.S. Currency

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
$77	$92	$78	$95	**$76**

Explanation of Measure: This measure is an indicator of the proportion of counterfeit currency relative to the amount of genuine currency in circulation.

Performance Measure: Counterfeit Notes Passed on to the Public – in U.S. (in millions)

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
$31.8	$40.0	$39.2	$45	**$39.7**

Explanation of Measure: This measure reports the total amount of counterfeit currency passed on the public in the United States. The measure is calculated using the face value of the counterfeit currency reported.

Performance Measure: Counterfeit Notes Passed on to the Public – Overseas (in millions)

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
$2.9	$3.2	$1.4	$5.0	**$1.4**

Explanation of Measure: This measure reports the total amount of counterfeit currency passed on to the public overseas. The measure is calculated using the face value of the counterfeit currency reported.

Performance Measure: Financial Crime Loss Avoided (in billions)

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000 Target	FY 2000 Performance
--	--	$1.4	$1.0	**$1.0**

Explanation of Measure: This measure estimates the direct dollar losses prevented due to the Secret Service intervention/interruption of a criminal venture. This estimate is the likely amount of financial crime that would have occurred had the offender not been identified or the criminal enterprises disrupted.

Performance Measure: Actual Financial Crime Loss (in millions)

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000 Target	FY 2000 Performance
--	--	$499	$355	**$379**

Explanation of Measure: This measure reports the actual dollar loss involved in financial crime cases investigated and closed by the Secret Service.

Secret Service Performance Goal: *Enhance partnerships with foreign and domestic stakeholders*

Performance Measure: Percent of Cases Accepted for Federal Prosecution

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000 Target	FY 2000 Performance
51%	50%	48%	50%	**50%**

Explanation of Measure: This measure reports the percentage of defendants prosecuted in Federal court relative to the total number of prosecutions at all judicial levels. The goal is to increase the percentage of defendants prosecuted at the Federal level by presenting cases consistent with the national crime suppression strategies.

GOAL: PROTECT OUR NATION'S BORDERS AND MAJOR INTERNATIONAL TRANSPORTATION TERMINALS FROM TRAFFICKERS AND SMUGGLERS OF ILLICIT DRUGS

Treasury plays a significant role in the counter-narcotics effort of the United States by protecting the borders and major international terminals from traffickers and smugglers of illicit drugs. Inspection, investigation, intelligence, canine, marine, and air interdiction assets are used to detect and prevent drugs from reaching our streets. Treasury works to reduce the drug supply through sophisticated interdiction efforts (seizure and destruction of narcotics) and comprehensive investigative efforts (dismantling smuggling organizations). Outreach programs are used to enlist the active support of the trade community in providing information on potential illegal activities. Treasury also provides support to international carriers in their efforts to prevent smugglers from using their ships and planes to introduce narcotics into the United States.

Key Partners in Achieving this Goal Include: Various Federal, state, local, and international law enforcement agencies.

Benefits to the American Public: The use of illicit drugs is one of the most serious problems facing American society, with drugs playing a part in virtually every major social issue in America -- health care, crime, mental illness, child abuse, and the spread of disease. In 1992, the total estimated spending for health care services and the medical consequences for drug problems was $11 billion, with an additional estimated $77 billion in lost potential productivity. In addition, the costs of crime attributed to illicit drug abuse were estimated at $59.1 billion. These costs include reduced earnings due to incarceration, crime careers, and criminal victimization, and the costs of criminal justice and drug interdiction.[2]

FY 2000 Highlights

- Customs seized more heroin and marijuana, with larger average seizures in FY 2000 than in FY 1999. In addition, the total number of all types of drug seizures for FY 2000 increased from 41,896 to 42,973, a 2.57% overall increase over FY 1999. This included a sharp rise in the seizure of drugs other than cocaine, heroin and marijuana. The seizure of methamphetamine, by weight, increased by 20.5%. The epidemic rise in the use of the drug ecstasy has resulted in tripling the number of dosage units seized to more than 9.3 million units in FY 2000.

- In FY 2000, Customs consolidated its air and marine assets into a single, integrated interdiction force. In addition to providing support to domestic Federal, State, and local law enforcement operations, Customs operated air assets in certain foreign governments which allowed U.S. Customs to combat drug trafficking in both the source and transit zones before the shipments reached the United States.

- Following extensive interagency preparation coordinated by Office of Foreign Assets Control, on June 1, 2000, President Clinton identified 12 foreign persons, located in Africa, Asia, the Caribbean and Mexico, as significant foreign narcotics traffickers or "Kingpins."

Performance Summary

Total Measures	Targets Met	Targets Not Met	Other	Maximum or Improved Performance
18	**11 (61%)**	6 (33%)	1 (6%)	9 (50%)

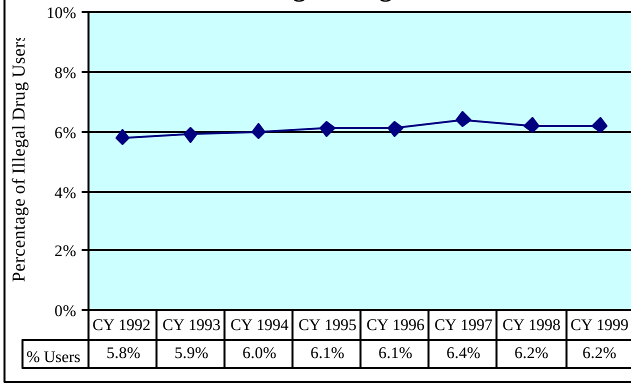
[2] The Economic Costs of Alcohol and Drug Abuse in the United States - 1992, National Institute on Drug Abuse, National Institutes of Health

Treasury Objective: Deny the Smuggling of Illicit Drugs at Land Borders, Airports, and Seaports

Key Trends

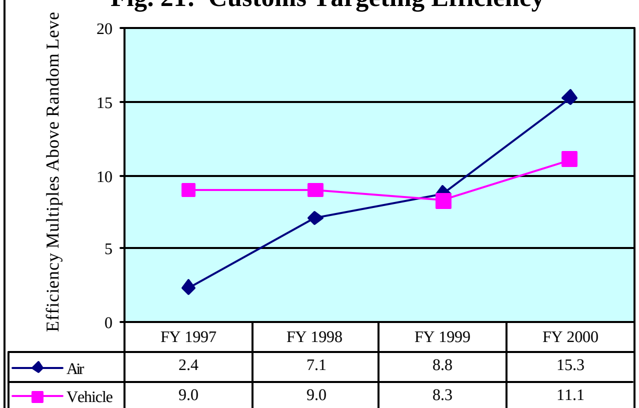
Illegal drug use and its consequences, including other crimes, permeate every corner of society, afflicting cities, suburbs, and rural communities. Interdicting illegal drugs entering the U.S. is a key component of the Nation's drug control strategy. Treasury is currently unable to estimate the amount of illegal drugs entering the country; however, a key outcome trend is the estimated percentage of the population using drugs, which has remained relatively stable during the 1990s (see Fig. 20).

Fig. 20: Percentage of U.S. Population Using Illegal Drugs



Since the amount of illegal drugs actually entering the United States remains unknown, developing performance indicators for directly measuring the effectiveness of drug interdiction is not currently possible. Instead of direct measures, Customs uses Targeting Efficiency measures to quantitatively assess the effectiveness of the criteria used to target potential violators. The methodology is applied to both air passengers and vehicles selected for inspection. The measure is a comparison of the number of violations found during targeted selective examinations to a random sample of the same size. (For example, a targeting efficiency number of 10 means that Customs found 10 times as many violations per 1,000 targeted selective examinations than it would have if it simply selected 1,000 vehicles or passengers at random.) Targeting efficiency has improved over the past few years, most dramatically for air passenger inspections (see Fig. 21).

Fig. 21: Customs Targeting Efficiency



Treasury Programs

The U. S. Customs Service is responsible for protecting U.S. borders against illicit drugs entering the country. To meet the challenge of policing the Nation's borders against drugs, Customs has had to work smarter by integrating new technologies with conventional investigative techniques.

To complement the targeting techniques that are being used by Customs, port infrastructure has been strengthened and Customs inspectors have been equipped with better tools to perform more intensive narcotics exams. Customs currently has several fixed truck x-ray sites located along the Southwest Border. In addition to the fixed x-ray technology, Customs also has mobile x-ray and gamma-ray examination technology available for assisting in the detection of illegal contraband. Customs counter drug initiative focuses on deploying higher energy x-rays, mobile truck x-rays and Automated Targeting systems along the Southern tier of the United States. Deployment of this equipment will ensure faster, more reliable inspection of conveyances at ports of entry. It will also improve Customs targeting ability by utilizing automated systems to compile and evaluate information regarding commercial shipments. Also, drug smuggling via commercial cargo and conveyances has been reduced as a result of the Carrier Initiative Program, Business Anti-Smuggling Coalition, and the Americas Counter-Smuggling Initiative. The use of Customs canine resources to assist in the interdiction of drugs has been extremely successful. Together, these tools and technologies will increase interdiction activities and raise the threat of detection to drug smuggling organizations as will the Customs Air and Marine program.

The Customs Air and Marine program uses air and sea interdiction units designed to protect the Nation's extensive borders from the continually shifting narcotics and contraband smuggling threat. The basic tool for accomplishing these interdiction activities is the air module, an operational unit comprised of aircraft and helicopters for detection, interception, tracking and apprehension of suspect smuggling targets. Beginning in 1999, the Aviation and Marine programs began implementing an ambitious strategy to improve their efforts to combat narcotics smuggling through the creation of a unified Air and Marine Interdiction program. The unified program provides better drug interdiction coverage along coastal waterways and increases investigative capabilities.

In support of its overall drug interdiction efforts, Customs has 114 aircraft deployed throughout the drug source and transit zones. These include long-range P-3 aircraft with advanced radar systems capable of tracking suspect targets from deep in South America all the way to the U.S. border. Customs also utilizes smaller, C-550 interceptor jets for close tracking and high-speed chases. Black Hawk helicopters are used for the end-game phase of an air operation and light enforcement helicopters for aerial and photo surveillance. On the seas, Customs deploys long-range radar platform craft, as well as high-speed interceptor boats capable of overtaking the go-fast craft favored by smugglers today.

Customs continues its effort to implement a coordinated approach through intelligence, investigations, and interdiction as a means for enhancing interdiction activities. By increasing emphasis on Title III and undercover operations, utilizing controlled deliveries and cold convoys at the border, aggressively recruiting confidential informants and cooperating defendants, and aggressively identifying, seizing and forfeiting the proceeds of drug smuggling through all administrative and judicial means available, interdiction efforts are expected to improve.

FY 2000 Key Accomplishments and Performance Results

Key Accomplishments

In FY 2000, Customs processed 488.8 million pedestrians and passengers. Processing of conveyances, such as passenger vehicles, trucks, private and commercial aircraft, and small boats and vessels, exceeded 129 million. From these arriving persons, vehicles, and carriers, Customs staff arrested 23,670 people, and made the following, significant seizures:

- Cocaine – 1,193 seizures (22,596 pounds);
- Heroin – 530 seizures (1,960 pounds);
- Marijuana – 9,191 seizures (533,887 pounds);
- Ecstasy – 9.3 million tablets seized;
- Currency – 911 seizures with a value of $17,449,057; and
- Merchandise – 11,498 seizures with a value of $138,243,384.

The total quantity of narcotics seized in FY 2000 was up 145,352 pounds, or 11.2 %, over that seized in FY 1999 (down 6.6% for cocaine, up 32.6% for heroin, and up 13.7% for marijuana). Customs marijuana seizures were at a record high in FY 2000. In fact, new record highs have been set in each of the last 3 years. As a result, marijuana traffickers have become more sophisticated in the techniques they employ. Another development in FY 2000 was the sharp rise in the seizure of other drugs. The seizure of methamphetamine, by weight, increased by 20.5%. The epidemic rise in the use of ecstasy has resulted in tripling the number of dosage units seized to more than 9.3 million units in FY 2000.

Performance Results

Following is a report on the performance targets in Treasury's FY 2000 Performance Plan related to this objective:

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
17	**11 (65%)**	6 (35%)	0	9 (53%)

Customs Service Performance Goal: *Dramatically reduce the amount of illegal drugs entering the United States*

Performance Measure: Illegal Narcotics Seizures	FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000 Target	FY 2000 Performance
Cocaine					
Number of Seizures	2,537	2,364	2,509	2,600	2,488
Average Pounds per Seizure	62.2	66.4	63.9	66.2	60.3
Total Number of Pounds Seized (in thousands)	157	157	160	172	150
Marijuana					
Number of Seizures	12,741	15,545	15,699	16,500	14,861
Average Pounds per Seizure	57.0	61.5	73.1	78.8	**86.9**
Total Number of Pounds Seized (in thousands)	726	956	1,147	1,300	1,291
Heroin					
Number of Seizures	1,208	1,049	911	1,000	859
Pounds Per Seizure	2.0	2.9	2.1	1.9	**2.9**
Total Number of Pound Seized (in thousands)	2.4	3.0	1.9	1.9	**2.6**

Explanation of Measure: This is a measure of the number of cocaine, marijuana, and heroin seizures, the average number of pounds per seizure, and the total pounds seized within the territorial jurisdiction of the United States (or in foreign pre-clearance locations) by, or with the participation of, Customs officers.

Explanation of Shortfall: The total number of drug seizures for these three categories decreased from 19,134 in FY 1999 to 18,209 in FY 2000, a 4.8% decrease. In relation to FY 1999, the number of cocaine seizures was down by 1.2%; the number of marijuana seizures was down by 5.4%; and the number of heroin seizures was down by 5.6%. In regard to the goals set for FY 2000, the number of cocaine seizures attained 95.7% of the goal; the number of marijuana seizures attained 90.1% of the goal; and the number of heroin seizures attained 85.9% of the goal.

There has been a drop in cocaine seizures along the Southwest Border with an increase in seizures in the Caribbean area and North Florida. This trend may indicate changes in the smuggling routes in response to law enforcement pressures. An additional factor in lower U.S. cocaine seizures in FY 2000 may be the expanding cocaine market in Europe where prices and profit margins are higher than in the U.S. The rivalry between a number of smuggling organizations in Mexico and South America has also had an impact on the flow of cocaine into the United States.

Heroin moved by commercial air remains the largest threat to Customs enforcement efforts. Commercial air shipments account for over 69% of all heroin seizures in FY 2000. Although South America remains a major source for heroin smuggling, the traffickers have expanded their transshipment locations to include Central America and the Caribbean.

It should be noted that although Customs did not meet 100% of each of these goals set for FY 2000, Customs seized more heroin and marijuana and larger average seizures in FY 2000 than were made in FY 1999. In addition, the total number of all types of drug seizures for FY 2000 increased from 41,896 to 42,973, a 2.57% overall increase over FY 1999. Customs continues to combat sophisticated smuggling techniques and ongoing changes in methods of concealment.

Customs Service Performance Goal: *To ensure compliance and allow the expeditious movement of low-risk travelers by increasing travelers' awareness and by targeting, identifying, and examining high-risk travelers*

Performance Measure: Targeting Efficiency
(a) Air Travel
(b) Vehicles

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
(a) 2.4 (b) 9.0	7.1 9.0	8.8 8.3	8.9 10.5	**15.3** **11.1**

Explanation of Measure: A statistically valid measurement program at 20 major airports and all land border ports that estimates Customs targeting effectiveness in the Air Passenger and Land Vehicle Passenger environment. This measure compares the number of major violations found during targeted enforcement operations with the number of violations found in an equally sized random sample of regular enforcement exams.

Performance Measure: Compliance Rate
(a) Air Travel
(b) Vehicles

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
(a) 97.6% (b) 99.96%	97.7% 99.95%	97.4% 97.6%	97.7% 97.8%	**98.4%** **99.5%**

Explanation of Measure: From a statistically valid random sample, the estimated percentage of air passengers and vehicles compliant with all Federal, State and local laws and regulations.

Performance Measure: Cycle Time:
(a) Air Travel
(b) Vehicles (Northern Border)
(c) Vehicles (Southern Border)

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
(a) 5 minutes (b) -- (c) --	5 minutes -- --	5 minutes 20 minutes 30 minutes	5 minutes 20 minutes 30 minutes	**5 minutes** **20 minutes** **30 minutes**

Explanation of Measure: For air travel, the maximum time it takes for 95 percent of air passengers to clear Customs, from checked luggage retrieval to exit. Data is from surveys performed at selected airports. For vehicles, the average time it takes a noncommercial vehicle to be processed through the initial border screening at all land border ports on the Mexican and Canadian borders.

Note: While Customs believes the Air Travel data is reasonably accurate, the Vehicle data has unknown accuracy. Customs is developing a baseline in conjunction with the Immigration and Naturalization Service to test the data.

Performance Measure: Advanced Passenger Information System (APIS) Rate

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
59%	75%	79%	80%	**81%**

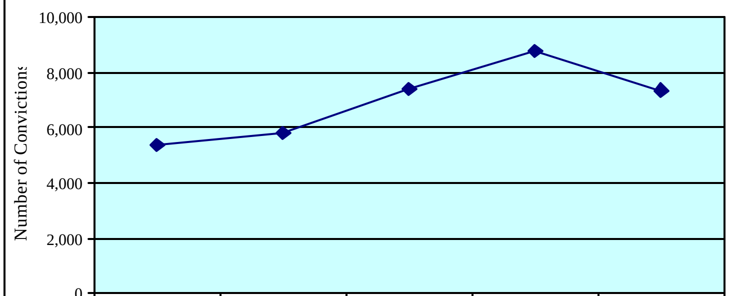
Explanation of Measure: The percentage of non-pre-cleared flights with passenger data provided to Customs by APIS. APIS is a cooperative effort between Federal Inspection Service agencies and the airline industry, designed to provide effective narcotics interdiction while efficiently processing compliant passengers .

Treasury Objective: Support all Aspects of the National Drug Control Strategy

Key Trends

The National Drug Control Strategy provides a comprehensive approach to move the Nation toward being a drug-free state. It is a balanced supply-demand strategy that relies on a full range of supply reduction as well as demand reduction programming. Supply reduction is an essential component of the strategic approach to drug control and the one the Department of the Treasury most directly supports. Currently, the Office of National Drug Control Policy (ONDCP) is developing models that will estimate the amount of cocaine, heroin and marijuana being smuggled into the United States.

Fig 22: Convictions Against Members of Drug Smuggling Organizations



	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000
# Cnvtns	5,374	5,833	7,417	8,786	7,368

A key drug control strategy is to dismantle drug-smuggling organizations. By providing unique investigative expertise to disrupt these organizations, Treasury impacts the availability of illegal drugs in the U.S.

Between FY 1996 and FY 1999, the number of convictions of members of drug-smuggling organizations increased. However, there was a decline in convictions between FY1999 and FY 2000 (see Fig. 22).

Treasury Programs

Since 1982, the Internal Revenue Service - Criminal Investigation Division (IRS-CID), the U.S. Customs Service (Customs), and the Bureau of Alcohol, Tobacco and Firearms (ATF) have participated in the Organized Crime Drug Enforcement Task Force (OCDETF)/Interagency Crime and Drug Enforcement (ICDE)[3] program. This is the only cross-cutting Federal drug program that focuses attention and resources on disrupting and dismantling major drug-trafficking organizations.

Primarily through Treasury and the Department of Justice, OCDETF/ICDE provides the framework for Federal, state, and local law enforcement, empowering agencies to work together. Each agency utilizes its unique expertise to target well-established and complex organizations engaged in illegal narcotics trafficking, thereby disrupting the organization. Since 1982, OCDETF/ICDE has contributed to successful prosecutions and convictions of 84,895 members of criminal organizations and seizures of cash and property assets totaling approximately $3.4 billion.

FY 2000 Accomplishments and Performance Results

Key Accomplishments

Treasury Support for ONDCP Goals. As cited in the National Drug Control Strategy Performance Measures of Effectiveness (PME), the Treasury Department is the lead agency for the following targets:

- Money Laundering Costs. The goal by 2002, is to increase the cost of money laundering to drug traffickers in the United States by 15 % over costs in the 1998 base year. The 1998 baseline was never established; however, the Department of the Treasury established the Magnitude of Money Laundering Project in 1999 to establish a base from which to measure future progress.

---

[3] Prior to FY 1998, the Department of Justice prepared an annual consolidated budget request for OCDETF on behalf of all participating agencies. Beginning in FY 1998, OCDETF funding was decentralized, enabling Treasury to prepare its budget. In addition, a new name, ICDE, was given to the program.

- Anti-Smuggling Technology. The goal by 2007, is to develop a deployment-ready technology to detect entry through the South West border, maritime points of entry, and other designated entry points of at least 80 percent of all identified potential drug smuggling events involving operationally significant amounts of secreted drugs. Milestones were developed, and in some cases completed, for technical and operational validation testing of a number of anti-smuggling technology projects. These projects included a chemical trace detection system, a mobile truck x-ray system, a gamma ray imaging system, pallet x-ray systems, mobile sea container x-ray system, a rail car inspection system, and an automated targeting system.

- Currency Detection. The goal by 2002, is to develop and deploy a methodology to non-intrusively detect illegal amounts of US currency secreted on persons or in check baggage or cargo, with a minimum of 80 percent accuracy. Customs and the Department of Defense are currently demonstrating the use of existing non-intrusive inspection technology to locate currency in luggage and vehicles. Customs also continued analysis of production inks, improvement to the Canine Training Center, and non-vapor characteristics of bulk shipments.

IEEPA Program Against Colombian Drug Cartels. Sanctions against the Colombian drug cartels pursuant to Executive Order 12978, were issued in October 1995 under the International Emergency Economic Powers Act (IEEPA). These IEEPA sanctions prohibit United States persons from dealing with nine drug kingpins of the Cali, North Valley, and North Coast drug cartels that are centered in Colombia, and derivatively designated companies and individuals known as Specially Designated Narcotics Traffickers ("SDNTs"). The SDNTs, designated by OFAC, in consultation with other U.S. Government agencies, are persons or organizations that are owned or controlled by, act on behalf of, or materially assist or provide support to persons covered by the Executive Order.

Foreign Narcotics Kingpin Designation Act. Under the Foreign Narcotics Kingpin Designation Act ("the Kingpin Act"), signed into law on December 3, 1999, OFAC administers a program targeting the activities of significant foreign narcotics traffickers and their organizations on a worldwide basis. The Kingpin Act is modeled after OFAC's economic sanctions program against Colombian drug cartels. Following extensive interagency preparation coordinated by OFAC, on June 1, 2000, President Clinton identified 12 foreign persons, located in Africa, Asia, the Caribbean and Mexico, as significant foreign narcotics traffickers or "Kingpins." OFAC is the lead agency for coordinating the process for additional designations of foreign drug kingpins by the President and for designating, in consultation with other agencies, derivative ("Tier II") designations. Tier IIs under the Kingpin Act, like SDNTs in the Colombia program, are persons or organizations that are owned or controlled by, act on behalf of, or materially assist or provide support to persons covered by the Kingpin Act. OFAC also is responsible for coordinating preparation of the classified Kingpin report that the President is to deliver to Congress on July 1 of each year.

Internal Revenue Service - Criminal Investigation. During FY 2000, IRS-Criminal Investigation Division (IRS-CID) initiated 1,109 narcotics-related financial investigations, recommended prosecution on 860 narcotics-related financial investigations, and achieved a narcotics-related conviction rate of 88.9%. In addition, IRS-CID realized $45.7 million in forfeited narcotics-related assets. During FY 2000, IRS-CID participated in 40% of the OCDETF investigations initiated and continued to emphasize the significance of the OCDETF program and the need to target narcotics organizations that meet the high OCDETF designation standards. The effectiveness of IRS-CID's counter-narcotics financial operations is demonstrated by the results of our investigations.

<u>Performance Results</u>

Following is a report on the performance targets in Treasury's FY 2000 Performance Plan related to this objective:

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
1	**0**	0	1 (100%)	0

Departmental Offices Performance Goal: *Effective oversight of law enforcement bureaus*

Performance Measure: Maximize Compliance with Sanctions Programs through Education and Awareness of the Public and Industry

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	--	Qualitative Progress	See Below

Explanation of Measure: The success of OFAC program depends largely on the awareness and education of the public and industry. A variety of systems and efforts are in place to accomplish that objective to include: a thorough and resourceful web page, articles and advertising in trade journals, a hot line, and training/seminars for specific groups.

Explanation of Performance: During this time, OFAC met extensively with congressional committees to brief them on the IEEPA-SDNT program against Colombian drug cartels and to discuss similar measures that became the Foreign Narcotics Kingpin Designation Act (Pub. Law 106-120) directed against significant foreign narcotics traffickers on a global basis. OFAC met numerous times with lawyers representing U.S. and foreign businesses and with senior representatives of the Mexican Government to discuss the Kingpin Act, the IEEPA-SDNT program in Colombia, and OFAC's enforcement approach under both the Kingpin Act and IEEPA. OFAC then coordinated the preparation of the recommendations and supporting information for the President's first set of designations under the Foreign Narcotics Kingpin Designation Act. The President's message to Congress on June 1, 2000, named 12 foreign drug kingpins located in Mexico, Burma, the Caribbean and Africa. OFAC also coordinated preparation of the President's July 1 report to Congress that provided more background on the 12 kingpins.

In addition to implementation of the Kingpin Act, OFAC has testified in public hearings, conducted briefings, engaged in interviews, and made numerous written submissions of information to the Judicial Review Commission on Foreign Asset Control, established by the Kingpin Act. Much of OFAC's cooperation with the Commission was on issues raised by the business sector. As a result, the Commission published a Report to Congress on December 4, 2000, containing 12 recommendations that OFAC is studying.

In the Colombia SDNT program, the OFAC Attache's liaison with local enforcement authorities and his on-going contacts with the financial and business communities have achieved enforcement cooperation from Colombian authorities and voluntary compliance from Colombian banks and businesses. The relationships with Colombian enforcement authorities have been magnified byOFAC's accompanying the Colombian DIAN (Customs & Taxation) in actions against cartel-controlled firms in Colombia, using information developed by the DIAN, and contributing information to Colombian enforcement efforts.

Over the course of 2000, OFAC sent more than 85 additional alert letters to Colombian banks and business entities alerting them to past dealings with SDNTs and encouraging their commitment to cease transactions with SDNTs. In this period, OFAC designated 39 additional SDNTs, including 4 more Colombian drug kingpins and 25 of their companies, and b locked two transactions of a major Colombian SDNT enterprise totaling $288,332.

GOAL: REDUCE VIOLENT CRIME AND THE THREAT OF TERRORISM

Crime Index statistics show that in 1999 there were 4,267 crimes committed per 100,000 of the Nation's inhabitants and that there was one violent crime committed every 22 seconds in the U.S. and one murder committed every 34 minutes.[4] While recent statistics indicate an overall decrease in violent crime incidents, the number of terrorist incidents has increased over the past five years.

Treasury's Bureau of Alcohol, Tobacco and Firearms (ATF), the U.S. Customs Service, the Office of Foreign Assets Control, the U.S. Secret Service, and the Financial Crimes Enforcement Network (FinCEN) combine their unique jurisdiction, skills, and assets with those of other Federal, state, local, and international law enforcement organizations to combat crime, violence, and terrorism. This is accomplished through an integrated approach of: effective enforcement of the Federal firearms, explosives, and arson laws, education, and prevention efforts. Treasury also uses innovative solutions to increase its efficiency and effectiveness and that of its other law enforcement partners.

Key Partners in Achieving this Goal Include: Treasury's bureaus work with the Departments of Justice, State, Defense, and Transportation, the National Security Council, various other Federal, state, local, and international law enforcement organizations.

Benefits to the American Public: Individual freedom can really only be enjoyed when it is accompanied by a sense of safety. Violent crime and terrorism threaten that safety.

FY 2000 Highlights

- In September 2000, ATF's new "eZ Check" system went online on the Internet. The new system helps members of the firearms industry ensure that no firearms licenses are used fraudulently by individuals who alter copies of licenses to illegally acquire and supply firearms to criminals and youth.

- In FY 2000, ATF completed the construction of a state-of-the-art training facility in Front Royal, Virginia, for accelerant and explosives detection canines for state, local, and international law enforcement.

- ATF completed the development of the InterFIRE training CD-ROM, a computerized virtual reality training tool and disseminated it to fire investigators at every level. This training CD is complemented by the InterFIRE website, which provides for a continuously updated resource for indepth information on fire investigation methodologies, training, and research.

- In FY 2000, the Customs Service made 302 strategic-related arrests, 206 indictments, and 277 convictions. These figures are nearly 50% higher than the average of FY 1998 and 1999 and approach the numbers attained in FY 1996 and 1997. Seizures in the strategic arena have increased at a 6% average over the past 5 years.

- Customs also seized a combined total of 736 shipments of munitions, technology and sanctioned goods, valued at approximately $50 million.. There was a 31% decrease from the number of combined seizures for FY 1999. The number of technical violations reached 1,229 seizures and were valued at about an additional $45 million.

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
8	**4 (50%)**	2 (25%)	2 (25%)	5 (63%)

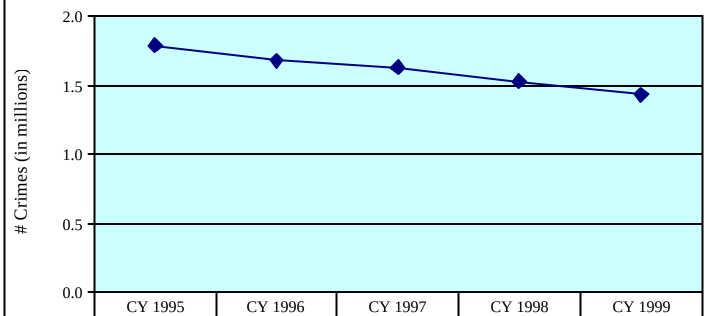
[4] 1999 Uniform Crime Report. Federal Bureau of Investigation, United States Department of Justice.

Treasury Objective: Deny Criminals Access to Firearms and Reduce the Risk of Violent Crime in Our Communities

Key Trends

Treasury is unable to directly measure whether criminal access to firearms is diminishing. However, we know that more than 175,000 firearms transactions have been denied since November 1998 as the result of instant background check queries. We also know that violent crime rates have steadily declined in recent years. Between 1995 and 1999, the number of violent crimes (such as homicides, robberies, rapes and aggravated assaults) declined by 23 percent (see Fig. 23). In addition, the number of crimes committed with a firearm has declined 33 percent during the same period (see Fig. 24).

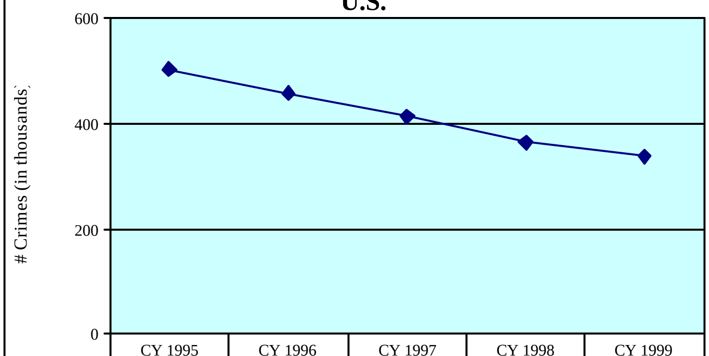
Fig. 23: Violent Crimes Committed in U.S.



	CY 1995	CY 1996	CY 1997	CY 1998	CY 1999
Crimes (M)	1.79	1.68	1.63	1.53	1.43

Treasury Programs

Fig. 24: Crimes Committed with Firearms in U.S.



	CY 1995	CY 1996	CY 1997	CY 1998	CY 1999
Crimes (000s)	504	458	414	364	338

The Bureau of Alcohol, Tobacco and Firearms (ATF) works to reduce violent crime by imprisoning violent offenders, reducing the criminal misuse of firearms, explosives and fire, and through partnerships and community outreach efforts.

ATF's Integrated Violence Reduction Strategy focuses on several different components of firearms enforcement aimed at reducing the illegal acquisition, carrying and use of firearms and explosives. Investigative priorities focus on armed violent offenders and career criminals, narcotics traffickers, narco-terrorists, violent gangs, and domestic and international arms traffickers. Another part of the strategy is the development and deployment of the Youth Crime Gun Interdiction Initiative (YCGII). Two major goals of YCGII are to encourage comprehensive crime gun tracing by State and local law enforcement agencies and to provide crime gun market analyses to assist law enforcement in arresting traffickers and breaking the chain of the illegal supply of firearms to juveniles and youths.

One aspect of the YCGII is ATF's community outreach through the Gang Resistance Education and Training (G.R.E.A.T.) Program. The purpose of the G.R.E.A.T. program is to provide classroom instruction for school-age children and a wide range of community-based activities that result in the necessary life skills, a sense of competency, usefulness, and personal empowerment needed to avoid involvement in youth violence and criminal activity. During FY 2000, G.R.E.A.T. officers around the country taught approximately 336,959 school-age children.

ATF also issues licenses to persons intending to engage in business as an importer, manufacturer or dealer in firearms and conducts firearm licensee qualification and compliance inspections. The Bureau periodically conducts compliance inspections to educate licensees in proper record-keeping and business practices and to ensure they are operating within the firearms regulations. When ATF identifies firearms trafficking indicators associated with particular licensees (e.g., frequent crime gun traces within a short timeframe, inability to complete traces), the Bureau initiates focused inspections to determine whether illegal activity is occurring.

FY 2000 Key Accomplishments and Performance Results

Key Accomplishments

In September 2000, ATF's new "eZ Check" system went online on the Internet. The new system helps members of the firearms industry ensure that no firearms licenses are used fraudulently by individuals who alter copies of licenses to illegally acquire and supply firearms to criminals and youth.

Performance Results

Following is a report on performance targets in Treasury's FY 2000 Performance Plan related to this objective:

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
5	**4 (80%)**	1 (20%)	0	5 (100%)

Bureau of Alcohol, Tobacco and Firearms Performance Goal: *Imprison violent offenders; reduce the criminal misuse of firearms, explosives and fire, and through partnerships; and increase exposure from community outreach efforts*

Performance Measure: Crime-Related Costs Avoided (in billions)

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
$0.93	$0.99	$1.05	$1.00	**$1.56**

Explanation of Measure: This measure is an estimate of the cost of crimes avoided by the Nation as a result of the prevention and solution of crimes via ATF's programs. It measures only thefts and property damage avoided, and does not take into account the avoidance of human trauma and emotional loss that also results from reducing crime.

Performance Measure: Number of Future Crimes Avoided As a Result of ATF Programs

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
427,454	503,955	542,560	450,000	**743,706**

Explanation of Measure: This measure is an estimate of the total number of crimes prevented through the incarceration of criminals and the elimination of crime gun sources via ATF's programs.

Performance Measure: Number of Firearms Trace Requests Submitted

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000 Target	FY 2000 Performance
191,378	188,299	209,126	225,000	209,369

Explanation of Measure: This measure reflects the number of trace requests submitted during the fiscal year. Firearms tracing is the systematic tracking of the history of a recovered crime gun (guns recovered from crimes or from those prohibited from owning them) from the manufacturer or importer through the chain of distribution to the first individual purchaser of the firearms. This tracking assists law enforcement in arresting illegal suppliers of firearms.

Explanation of Shortfall: This target was not achieved because the expected increase in State and local participation in comprehensive crime gun tracing did not occur. Another contributing factor is the declining rate of firearms-related crime across the Nation.

Performance Measure: Average Trace Response Time (in work days)

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000 Target	FY 2000 Performance
13.5	18.8	11.4	11.5	**10.2**

Explanation of Measure: This measures the average time taken to process a trace request, from receipt to disposition.

Performance Measure: Number of Persons Trained/Developed by ATF Personnel

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000 Target	FY 2000 Performance
50,717	60,156	53,385	52,000	**87,859**

Explanation of Measure: This measure is the number of individuals who are trained by ATF personnel. This includes ATF employees as well as Federal, state, local and international law enforcement personnel. In FY 2001, this measure will be discontinued and replaced by a performance measure that will focus on the number of personnel trained in relation to the Integrated Violence Reduction Strategy.

Treasury Objective: Strengthen the Capability to Fight Terrorist Threats to the U.S.

Key Trends

Terrorism is the unlawful use of force or violence against persons or property to further political or social objectives. The number of terrorist incidents has increased since the mid-1990s (see Fig. 25), and the number of documented instances in which violent acts by known or suspected terrorist groups or individuals were planned (but thwarted) has declined, especially in recent years (see Fig. 26).

Fig. 25: Terrorist Incidents in U.S.

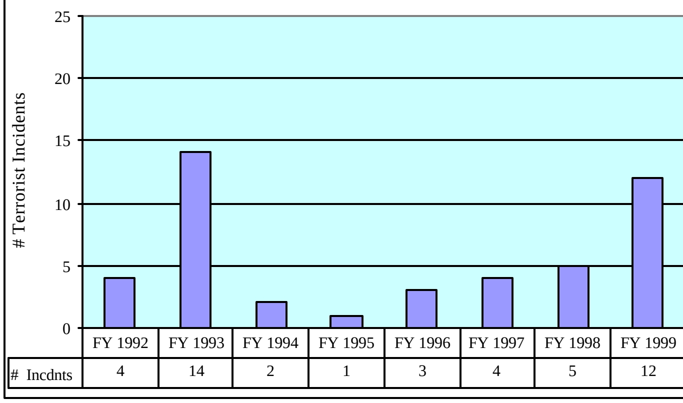
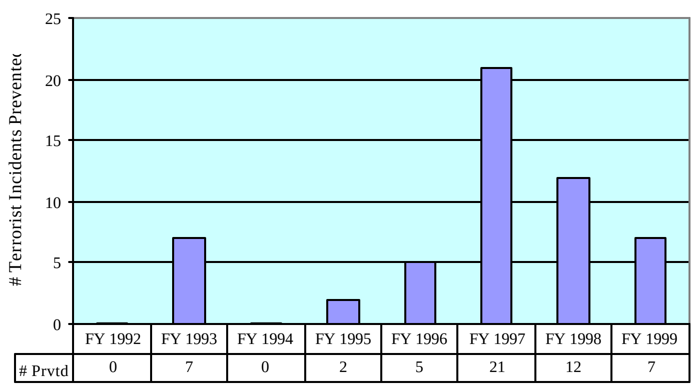


Fig. 26: Terrorists Incidents Prevented in U.S.



Treasury Programs

Treasury's law enforcement bureaus have various programs that support this strategic objective. For instance:

The U.S. Customs Service (Customs) provides security at U.S. borders to prevent the smuggling into the U.S of Weapons of Mass Destruction (WMD - nuclear, radiological, chemical, and biological material), arms, and other instruments of terror, In addition, Customs prevents international terrorists from obtaining WMD materials and technology, arms, funds, and other support. Customs also supports designated National Special Security Events with aviation, marine, and other enforcement resources.

The Bureau of Alcohol, Tobacco and Firearms (ATF) provides substantive expertise and leadership for terrorist incidents involving bombings or arson. ATF's National Response Teams (NRT) are at the forefront in responding to major arson and explosive incidents through specialized investigative expertise and unique response capabilities. The Canine Explosives Detection Program provides training support to Federal, state, local and international law enforcement agencies in detecting explosive materials. ATF's forensic science laboratories provide expert support in the analysis of fire and explosive debris. ATF also has a mobile forensic lab, which travels to major explosive and arson incidents. The Bureau maintains a state-of-the-art National Repository of arson and explosive incidents, providing a capability to trace stolen and recovered explosives, as well as supplying investigative tools that may link related incidents.

The Office of Foreign Assets Control (OFAC) within the Office of the Under Secretary for Enforcement, administers economic sanctions against the seven state sponsors of terrorism (Cuba, Iran, Iraq, Libya, North Korea, Sudan, and Syria) designated by the Secretary of State, against specific foreign terrorist organizations (FTOs, such as Hamas and Al-Qa'ida), and against individual Specially Designated Terrorists (SDTs). An organization or individual may be designated as an SDT if they are deemed to assist in, sponsor, or provide support for terrorist acts of violence that threaten to disrupt the Middle East peace process. Property and interests in property owned by those organizations and individuals are blocked. All transactions, including the making or receiving of any contribution of funds, goods, or services to or for their benefit are prohibited.

The U.S. Secret Service provides expertise in the areas of identifying suspected or known terrorists and in identifying and neutralizing chemical and/or biological incidents. The Service plays a lead role in design, planning, and implementation of security operations designated as special security operations at designated National Special Security Events. In that role, the Service provides the overall public safety coordination required to protect the event, its participants, and attendees from potential threats. In furtherance of this mission, the Secret Service employs many of its own resources toward specific facets of security for which it has established over the years a reputation of expertise. This expertise includes but is not limited to site and route surveys, access control, technical security, counter-sniper operations, and airspace security.

The Financial Crimes Enforcement Network (FinCEN) assists Federal investigators to uncover information concerning suspected terrorists (either domestic or foreign) and their related financial activities. This includes support for counter terrorism investigation of weapons violations.

FY 2000 Key Accomplishments and Performance Results

Key Accomplishments

For the Customs Service, efforts to fight terrorist threats (strategic threats) hinge upon preventing specific countries, terrorist groups, and transnational criminal organizations from:

- Smuggling Weapons of Mass Destruction (WMD) and other instruments of terror into the United States
- Obtaining sensitive and controlled commodities, including WMD components and technologies, conventional munitions, and firearms
- Engaging in economic and other transactions which support illicit trafficking or terrorist activities, or which violate U.S. and international sanctions and embargoes
- Trafficking in stolen property exported from the United States

In FY 2000, Customs continued its efforts to work closely with law enforcement agencies of foreign governments to improve their expertise in dealing with investigations into transnational criminal organizations. Efforts included providing ongoing foreign border control training and education programs in the areas of WMD, firearms trafficking, and exports of stolen vehicles. Customs also continued international investigations of strategic-related offenses with foreign customs and law enforcement counterparts through Customs Attachés.

For FY 2000, there were 302 terrorist-related arrests, 206 indictments, and 277 convictions, which were close to 50% higher than the average of FY 1998 and 1999. Seizures of strategic material have increased at a 6% average over the past 5 years.

Performance Results

Following is a report on the performance targets in Treasury's FY 2000 Performance Plan related to this objective:

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
3	**0**	1 (33%)	2 (67%)	0

Departmental Offices Performance Goal: *Effective oversight of law enforcement bureaus*

Performance Measure: Maximize Compliance with Sanctions Programs through Education and Awareness of the Public and Industry

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	--	Qualitative Progress	See Below

Explanation of Measure: The success of the OFAC program depends largely on the awareness and education of the public and industry. A variety of systems and efforts are in place to accomplish that objective to include a thorough and resourceful web page, articles and advertising in trade journals, a hot line, and training/seminars for specific groups.

Explanation of Performance: During the past year, OFAC held more than 87 sessions on sanctions compliance involving programs against terrorism across the country and across industry groups and made extensive use of "multipliers" to enhance its educational efforts. This included training Commerce, Customs, the Federal Bureau of Investigations, and bank regulators in the application of applicable OFAC regulations and close working relationships with AUSAs involving criminal investigations. OFAC-authored articles that included a terrorism component were published in Commerce and DOD publications; OFAC "Alerts" appeared in Small Business and Securities Industry publications; and OFAC developed a one and a half hour "examiner" training module in cooperation with the OCC and the Federal Financial Institutions Examination Council. OFAC's website homepage was among the top five sites visited through Treasury's Internet portal during the reporting period and received considerable recognition, including being named one of 25 noteworthy websites in the December 16, 1999 edition of Scout Report for Business & Economics. It was added to the Federal CIO Council's list of examples of "innovative solutions in Electronic Government," and was selected as a "Key Resource" for its "information sheets" by Linlks2Go. The public also made extensive use of OFAC's fax-on-demand service to learn about its programs against terrorism.

During the past year, as a direct result of OFAC's education and awareness programs, computers around the world were programmed to stop "OFAC-related" financial and trade activities for review. Equifax, serving 17 of the top 35 brokerage firms in the United States, incorporated OFAC screening into its Information Services System for brokers. Ariba Commerce Services Network, in forming a strategic alliance with BankServ, incorporated OFAC filtering capability into its value-added network infrastructure for delivering eCommerce services to companies in the B2B community. During the past year, OFAC averaged over 1,000 calls per week over the toll-free telephone Hotlinewhich it installed for banks, securities firms, importers/exporters, shipping lines, and others to call about items interdicted by their computers. The calls resulted in over 7,300 transactions needing to be either blocked or rejected as a result of all of OFAC's sanctions programs, with $125 million frozen and $366 million returned to remitters as being contrary to U.S. sanctions. Following up on those transactions led to over 1,000 compliance cases--the majority of them concerned with OFAC's terrorism-related programs, with 132 ultimately referred for civil penalties and 73 referred for criminal investigation. OFAC's Compliance Division alone sent out close to a thousand "administrative demands for information," and over 500 warning letters.

Customs Service Performance Goal: *Maximize the degree of compliance with United States export requirements while simultaneously facilitating international trade in order to protect the United States national security, economic interests, and the health and safety of the American people*

Performance Measure: Number of Seizures for Outbound Licensing Violations

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
1,036	1,798	1,067	1,200	736

Explanation of Measure: This Customs measure is a total of the following three items:

- The number of outbound munitions seizures (incidents not individual articles) made by Customs officers for violation of the requirements contained in the International Traffic and Arms Regulations (ITAR).
- The number of seizures (not articles) made by Customs officers annually for violation of the Export Administration Regulations or the Export Commodity Control List requirements.
- The number of outbound seizures made annually by Customs officers to enforce a series of laws administered by Treasury's Office of Foreign Assets Control.

Explanation of Shortfall: The reduction in the number of seizures can be attributed to limited resources and a continued decrease in the licensing requirements for the Department of Commerce. Because of the expected normalization of diplomatic relations with a number of sanctioned nations, the trend of decreased licensing violations is expected to continue into the future.

Customs Service Performance Goal: *Contribute to a safer America by reducing civil and criminal activities associated with the enforcement of Customs' laws.*

Performance Measure: Disruption of International Trafficking Activities

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	--	Qualitative Progress	See Below

Explanation of Measure: This is a qualitative assessment of Customs' effectiveness in disrupting international trafficking activities involving weapons of mass destruction, firearms, stolen property, and/or economic espionage. Disruption involves the interdiction of illicit export shipments of controlled materials, and investigations resulting in the arrest and presentation for prosecution of parties responsible for illicit trafficking violations.

Explanation of Performance: In FY 2000, Customs increased liaisons and resource deployment dedicated to outside agency (the Federal Bureau of Investigation, the Department of State, and the Department of Commerce) initiatives both at the Headquarters and field levels, including the Joint Terrorism Task Forces. These increases proved extremely effective in counteracting several terrorist incidents in December 1999. Investigative efforts resulted in significant disruption of international trafficking activities, especially in the areas of terrorism and export-controlled commodities:

- On December 14, 1999, Customs Inspectors apprehended an individual attempting to smuggle significant amounts of materials commonly used in making explosives. Customs Agents arrested the suspected terrorist who is scheduled for trial in Los Angeles, California in early 2001. Customs assigned additional personnel to interagency counter-terrorism task forces nationwide to provide investigative expertise and real-time intelligence dissemination.

- A four-year undercover investigation led to the arrest of three international businessmen for conspiracy to acquire and sell $20 million worth of embargoed Iraqi oil.

- One individual was arrested and two companies were charged in a 40-count indictment for violation of U.S. sanctions against the Republic of Yugoslavia (Serbia and Montenegro), and exporting electronic components, aircraft parts, and motor oil to the Serbian military.

- A nine-month undercover investigation involving a Russian organized crime automobile theft ring culminated in the arrest of 31 suspects. Agents seized 27 luxury and sport utility vehicles valued in excess of $750,000 that the group had attempted to export.

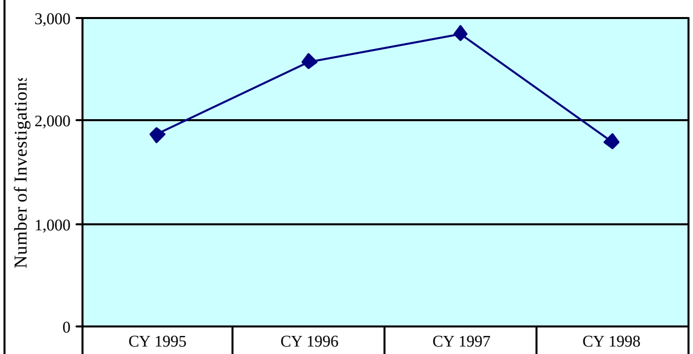
- One individual pled guilty and two others remain under sealed indictment for attempting to purchase and ship critical military satellite equipment contained on the U.S. Munitions List and other dual-use commodities to North Korea via transshipment to Budapest, Hungary.

Treasury Objective: Safeguard the Public from Arson and Explosive Incidents

Key Trends

Arson is the willful or malicious burning or attempted burning of property. The motivation of arsonists varies and can include vandalism, revenge, or fraud. Arson can also be a hate crime as revealed in the burning of our nation's churches and synagogues. National statistics for the 4-year period from 1995 to 1998 indicate incendiary and/or suspicious fires claimed over 2,100 lives and caused approximately $5.6 billion worth of damage[5]. In addition, arson is a difficult crime to solve, having a national 5-year average clearance rate of 16.6% as compared with a 50% arrest rate for violent crime.[6]

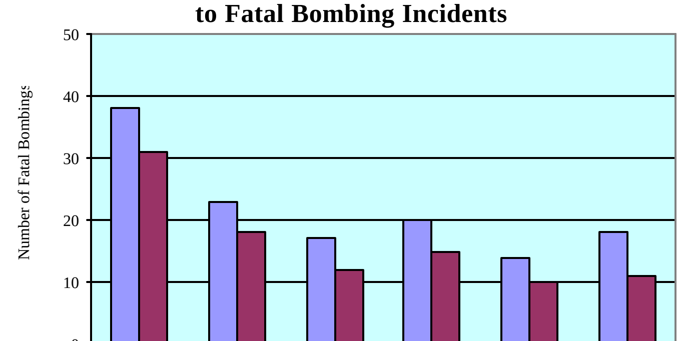
Fig. 27: ATF Fire Investigations



	CY 1995	CY 1996	CY 1997	CY 1998
# Arsons	1,861	2,569	2,837	1,795

The Bureau of Alcohol, Tobacco and Firearms (ATF) statistics for the 4-year period from 1995 to 1998 indicate ATF was directly involved in approximately 9,000 fire investigations (see Fig. 27).[7] ATF provided expertise to State and local law agencies in the following areas: origin and cause expertise, investigative assistance, evidence collection, and laboratory services.

Fig. 28: ATF Response to Fatal Bombing Incidents



	CY 1993	CY 1994	CY 1995	CY 1996	CY 1997	CY 1998
# Reported	38	23	17	20	14	18
# Invstgated	31	18	12	15	10	11

Illegally-used explosives continue to kill and seriously injure public safety officers, bomb technicians, and citizens. For the period from 1993 to 1998, ATF investigated 73% of all fatality bombings (see Fig. 28).

Treasury Programs

ATF supports law enforcement and fire officials throughout the nation in their investigations of explosives incidents and fires of suspicious origin. The collection of evidence at bombing scenes is tasked to ATF investigators who are especially well trained and equipped. ATF databases are routinely used to trace the source of explosives and to determine if they were stolen. ATF special agents provide additional experience, such as arson-for-profit investigation expertise, church fire expertise, and equipment, which is welcomed by local fire investigators at major fire scenes. The accelerant detection canines and arson investigation training programs offer them resources often not available otherwise. Explosives enforcement officers (bomb technicians) provide assistance with the movement and disposal of explosive material and devices. ATF's Arson and Explosives National Repository provides national, state, and local trend data as well as incident-specific detailed information.

---

[5] Source: Book of Criminal Justice Statistics 1999 (page 333)
[6] Source: FBI Uniform Crime Report (Years 1995 – 1999)
[7] Source: ATF's Arson and Explosives National Repository

FY 2000 Key Accomplishments

- ATF completed the construction of a state-of-the-art training facility in Front Royal, Virginia, for accelerant and explosives detection canines for state, local, and international law enforcement.

- ATF completed the development of the InterFIRE training CD-ROM, a computerized virtual reality training tool and disseminated it to fire investigators at every level. This training CD is complemented by the InterFIRE website, which provides for a continuously updated resource for in-depth information on fire investigation methodologies, training, and research.

- ATF trained law enforcement personnel and bomb squads from around the Nation in the use of the Arson Explosives Incident System (AEXIS). AEXIS was congressionally mandated for tracking the criminal misuse or suspected misuse of explosives and for tracking information on arsons. Each ATF law enforcement field division has been give the ability to have immediate access to explosives and arson information 24 hours a day through the ATF National Repository Branch web-site located on the ATF Interweb. ATF inspectors identified and corrected 1,119 explosives public safety violations through an intensified inspection program.

GOAL: PROTECT OUR NATION'S LEADERS AND VISITING DIGNITARIES

There are new challenges in today's complex world regarding the area of protection. Incidents over the past few years such as the Oklahoma City bombing, American Embassy bombings and the most recent terrorist attack on the USS Cole in Yemen, demonstrate the ongoing terrorist activity against U.S. interests in this country and throughout the world.

The protective threat facing the U.S. Secret Service has broadened to include groups operating outside their own countries. These groups have access to more sophisticated weapons, and are using "front" organizations to finance their activities. They are indiscriminate in their use of violence and seek public attention for their actions. The low cost and diffusion of advanced technology and the proliferation of weapons of mass destruction (WMD) have further increased the dangers with which the Secret Service must contend.

Benefits to the American Public: The protection of our Nation's leaders, visiting dignitaries, and other protectees is essential to maintaining a stable and strong democracy.

Treasury Programs

The U.S. Secret Service is responsible for the protection of the President of the United States, the President-elect, the Vice President and other officers next in line of succession to the Office of the President, the Vice President-elect, and members of their immediate families unless the members decline such protection; of the person of a visiting head-of-state/Government and accompanying spouse, and at the discretion of the President, other distinguished foreign visitors to the United States, and official representatives of the United States performing special missions abroad; of former Presidents, their spouse and minor children, unless such protection is declined. In addition, the Secret Service is responsible for the security design, planning, and implementation at designated National Special Security Events.

The ultimate mission of the Secret Service is to ensure the highest level of protection for persons authorized Secret Service protection. The Secret Service is internationally recognized for its expertise in accomplishing its protective mission. The Secret Service has continued to provide protection to permanent protectees and foreign dignitaries as well as designated facilities without negative consequences. Timely and accurate information learned from intelligence advances and protective intelligence cases has also contributed to the Service's early warning capabilities, thus reducing potential risks to protectees.

In its effort to perform this mission, the Secret Service employs a variety of procedures to ensure the safety of its protectees. These procedures directly relate to the primary strategies that include the proactive use of technology and protective intelligence, and the effective use of resources based on risk assessment and risk management. To maintain effectiveness, the Secret Service continually evaluates, modifies, and improves its policies and procedures.

The Secret Service must be proactive in its approach to dealing with these possible threats. To continue to provide a high quality of physical protection to our Nation's leaders and visiting heads of state, the Secret Service must invest in equipment and technologies that can detect these weapons better enabling the Secret Service to deter their use.

FY 2000 Key Accomplishments and Performance Results

Key Accomplishments

- FY 2000 was an extremely active year for the Secret Service protection program due to the Campaign 2000 Presidential election, to include the Republican and Democratic conventions, World Economic Conference, United Nation's General Assembly and other designated "National Special Security Events".

- Travel of Secret Service protectees was unprecedented during FY 2000 and put considerable demands on Secret Service resources. The Secret Service measures protectee travel activity in terms of travel stops. A stop is considered a city or other definable sub-division visited by a protectee. During FY 2000, the Secret Service provided physical protection at 7,358 travel stops, a 29 percent increase over FY 1999 and 43 percent since FY 1998. The 7,358 travel stops represents an all-time high in protection workload. The 7,358 travel stops also represent an exhaustive effort by the entire organization in terms of commitment to the achievement of the organization's ultimate protection goal of "Protectee Arrives and Departs Safely" 100 percent of the time.

Performance Results

Following is a report on the performance target in Treasury's FY 2000 Performance Plan related to this objective:

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
1	**1 (100%)**	0	0	0

Secret Service Performance Goal: *Ensure the physical protection of protectees*

Performance Measure: Percentage of Instances Protectees Arrive and Depart Safely				
FY 1997 Performance	**FY 1998 Performance**	**FY 1999 Performance**	**FY 2000**	
			Target	**Performance**
100%	100%	100%	100%	**100%**

Explanation of Measure: This measure reports the percentage of all travel stops for all Secret Service protectees where the protectee arrives and departs safely.

Secret Service Workload Related to the Goal: *Ensure the physical protection of protectees*

Workload Measures	**FY 1997 Workload**	**FY 1998 Workload**	**FY 1999 Workload**	**FY 2000 Workload**
Total Travel Stops – Permanent Protectees, Foreign Dignitaries, and Candidate Nominees [The level of travel by protectees of the Service. A stop is generally considered a city or other definable subdivision visited by a protectee.]	5,223	5,131	5,723	7,358
Magnetometers – Persons Processed (in millions) [The number of individuals screened through magnetometers at sites where security is controlled by the Secret Service.]	3.0	2.3	2.2	3.1
Protective Details [The total number of special details provided by uniformed officers in support of physical protection.]	2,938	3,266	4,382	3,545

Secret Service Workload Related to the Goal: *Prevent terrorism directed towards Secret Service protectees, protected facilities, and our citizens and visitors at events of national significance*

Workload Measure	**FY 1997 Workload**	**FY 1998 Workload**	**FY 1999 Workload**	**FY 2000 Workload**
Intelligence Cases Completed [The number of intelligence cases performed by agents assigned to field operations. These cases generally involve making an assessment of individuals or groups who have threatened a protectee of the Secret Service.]	8,449	8,499	6,577	4,392

GOAL: PROVIDE HIGH-QUALITY TRAINING FOR LAW ENFORCEMENT PERSONNEL

Treasury's Federal Law Enforcement training Center (FLETC) provides quality, cost-effective training for law enforcement professionals. The FLETC maximizes the use of law enforcement and training experts; provides quality facilities, support services, and technical assistance; conducts law enforcement research and development; and shares state-of-the-art law enforcement technology. There are many advantages of consolidated training for Federal law enforcement personnel, not the least of which is an enormous cost savings. Consolidated training avoids the duplication of overhead costs that would be incurred by the operation of multiple agency training sites. Consolidation also ensures consistent, high quality training, and fosters interagency cooperation and camaraderie. Finally, consolidated training allows students from different Departments and agencies to commingle and learn about each other's professional responsibilities, thus enhancing the students' view of the overall law enforcement effort.

Key Partners in Achieving this Goal Include: The FLETC works with the Departments of Justice, Agriculture, Interior , State, the Office of Management and Budget, the Environmental Protection Agency the General Service Administration, and various other Federal, State, local, and international law enforcement organizations.

Benefits to the American Public: In the last decade, the nature of crime has changed. The increased sophistication of computer technology and the globalization of the economy have created new challenges in the areas of financial fraud, money laundering, and other illegal activity. In recent years, foreign crime organizations have established operations in major American cities. Furthermore, while being called upon to address a wide variety of social problems, law enforcement agencies are being held to heightened levels of scrutiny and accountability. In order to meet these challenges, the government must ensure that those individuals it empowers as law enforcement officers have been fully trained in the skills and knowledge necessary for effective and safe enforcement of the law and that they are prepared to do so in a just and proper manner.

<u>FY 2000 Highlights</u>

- In FY 2000, in addition to meeting all basic training demands from participating agencies, the FLETC provided advanced training to 10,985 students. Additionally, 3,383 state and local law enforcement officers and 323 international officers were trained at the FLETC facilities and export training sites.

- During FY 2000, the FLETC completed the revision of its premier basic training program, the Criminal Investigator Training Program. The program, which had been virtually unchanged for more than 20 years, was completely revised using the adult learning model.

- During the past year, a formal distributed learning implementation strategy was drafted and approved, and the FLETC began developing the distributed learning architecture blueprint to design the “Virtual FLETC” infrastructure.

- The FLETC is leading a collaborative effort with other Federal law enforcement agencies to establish a training accreditation model, organizational structure, and process. The model will be used to establish Federal law enforcement training standards and to evaluate the facilities, policies, and procedures by which these standards are achieved.

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
7	**7 (100%)**	0	0	3 (43%)

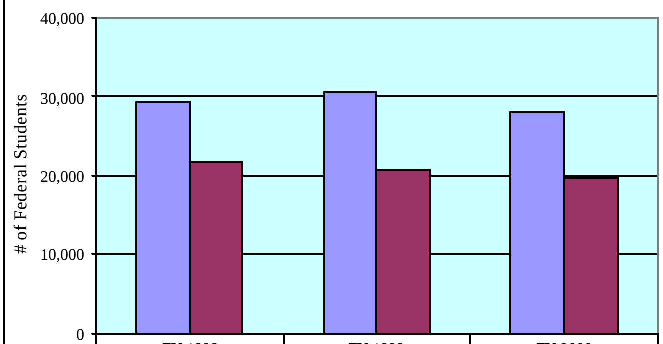
Treasury Objective: Enhance Basic, Advanced, and In-Service Training Programs to Meet Changing Needs and Increasing Demands

Key Trends

Treasury provides law enforcement training to other Federal enforcement agencies, State and local, and foreign countries.

Between FY 1998 and FY 2000, there was a decline in the number of students who received training through the Federal Law Enforcement Training Center's (FLETC) (see Fig. 29). This decline was the result of the inability of participating agencies to provide the number of trainees they had anticipated due to budget constraints or delays in the recruitment process. However, because of initiatives to curb crime, especially in the areas of immigration, border security, drug control and interdiction, anti/counter-terrorism, and firearms enforcement, the number of law enforcement personnel requiring training is expected to increase in the next several years.

Fig. 29: Students Trained at the FLETC



	FY 1998	FY 1999	FY 2000
Projected	29,460	30,590	28,212
Conducted	21,643	20,713	19,620

Treasury Programs

The mission of the FLETC is to serve as the Federal Government's leader for and provider of world-class law enforcement training. The Center prepares new and experienced law enforcement professionals to fulfill their responsibilities in a safe manner and at the highest level of proficiency.

The FLETC accomplishes its mission by utilizing law enforcement and training experts; providing facilities, support services, and technical assistance; conducting law enforcement research and development; and sharing law enforcement technology. Continuous review and updates of training programs help to ensure that the law enforcement officers receive training that keeps pace with the changing criminal and law enforcement environment. Also, the FLETC ensures that training is provided in the most cost-effective manner by taking advantage of economies of scale available only from a consolidated law enforcement training organization.

To accomplish its mission, the FLETC must balance the competing needs and demands of its 74 participating organizations. The FLETC must also be flexible enough to respond to changes resulting from budget decisions, new Administration and Congressional initiatives, fluctuations in training demands, and variations in recruitment within the participating agencies as they impact the delivery of law enforcement training.

FY 2000 Key Accomplishments and Performance Results

Key Accomplishments

- In FY 2000, in addition to meeting all basic training demands from participating agencies, the FLETC provided advanced training to 10,985 students. Additionally, 3,383 state and local law enforcement officers and 323 international officers were trained at the FLETC facilities and export training sites.

- During FY 2000, the FLETC completed the revision of its premier basic training program, the Criminal Investigator Training Program (CITP). The program, which had been virtually unchanged for more than 20 years, was completely revised using the adult learning model. Two successful pilots of the new program were conducted late in FY 2000 and the revised CITP was implemented at the start of FY 2001. Additionally, the FLETC developed and or/significantly revised approximately ten Center Advanced training programs and assisted the participating agencies with the development of more than 15 agency-specific basic and/or agency advanced training programs.

Examples of Center Advanced training programs include the Internet and Your Child, Weapons of Mass Destruction, Land Transportation Antiterrorism and Computer Network Investigations. An example of an Advanced In-Service training program is the Law Enforcement Senior Instructor Training Program for enhancing instructional skills of current instructors.

Performance Results

Following is a report on performance against the targets established in Treasury's FY 2000 Performance Plan related to this objective:

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
5	**5 (100%)**	0	0	2 (40%)

Federal Law Enforcement Training Center Performance Goal: *Achieve 80% on Student Quality of Training survey; conduct 100% of basic training requests; keep variable costs to $149 per student week; and conduct 4 Personnel input forums*

Performance Measure: Student Quality of Training Survey
(a) Basic Training
(b) Advanced Training

FY 1997 Performance	**FY 1998 Performance**	**FY 1999 Performance**	**FY 2000**	
			Target	**Performance**
(a) -- (b) --	80% 80%	99% 99%	80% 80%	**99.2%** **99.2%**

Explanation of Measure: Basic and advanced training program students are surveyed to obtain their views on the overall quality of training received. This measures the percentage of student ratings of training quality as satisfactory or higher.

Performance Measure: Percent of Requested Training Provided (Federal Basic)

FY 1997 Performance	**FY 1998 Performance**	**FY 1999 Performance**	**FY 2000**	
			Target	**Performance**
--	100%	100%	100%	**100%**

Explanation of Measure: The actual number of student-weeks of training divided by the number requested by the participating agencies, converted to a percentage.

Federal Law Enforcement Training Center Performance Goal: *Achieve 80% on Student Quality of Training survey; conduct 100% of basic training requests; keep variable costs to $149 per student week; and conduct 4 Personnel input forums*

Performance Measure: Number of Personnel Input Forums Conducted (Forums Give Employees the Opportunity to Discuss Any Topic Affecting FLETC's Operations)

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	9	18	4	**12**

Explanation of Measure: FLETC conducts periodic forums in which personnel can provide input on any topic affecting the Center's operation. The number conducted is compared to the number planned. This measure will be discontinued in FY 2001.

Performance Measure: Variable Unit Cost per Student-Week of Basic Training

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
$127	$129	$165	$149	**$146**

Explanation of Measure: The cost is calculated taking the actual expenses divided by the number of basic student-weeks trained.

Treasury Objective: Develop and Operate State-of-the-Art Facilities and Systems Responsive to Interagency Training Needs

Key Trends

In order to comply with a Congressional mandate to close the Charleston, South Carolina training site by FY 2004, the Federal Law Enforcement Training Center (FLETC) has developed a Five-year Construction Plan for the Glynco, Georgia, and Artesia, New Mexico campuses. This plan will provide the facilities to accommodate both the Border Patrol training workload and the projected workload of the remaining 73 participating organizations at the Glynco and/or Artesia. The FLETC also continues to move forward with the concept of an accreditation process that would lead to the establishment of professional standards for accrediting Federal law enforcement training organizations.

Treasury Programs

The FLETC began training students in 1970 with the mission of providing high quality law enforcement training programs in state-of-the-art facilities. In recent years, the FLETC has become recognized in the law enforcement community as the benchmark of excellence in law enforcement training. Since 1970, the number of Federal agencies who train at the FLETC has grown from 18 to 74.

One of the FLETC's strategic goals is to significantly expand the access to and availability of quality law enforcement training. This includes providing sufficient capacity to meet the increasing training requirements of our clients, including the needs of law enforcement organizations that would otherwise be unable to use the FLETC because of capacity constraints or cost considerations. The FLETC also carries out research in the various aspects of law enforcement training.

The voluntary affiliation of 74 agencies requires that the FLETC continually balance competing needs and demands among the participating organizations. The FLETC must also be flexible enough to respond to changes resulting from budget decisions, new Administration and Congressional initiatives, fluctuations in training demands, and variations in recruitment within the participating agencies as they impact the delivery of law enforcement training.

FY 2000 Key Accomplishments and Performance Results

Key Accomplishments

A plan was developed to generate the training capacity needed to meet the U.S. Border Patrol's (USBP) law enforcement training requirements during and after the closure of the temporary training facility at Charleston, South Carolina. The study supports the transfer of all USBP training to the FLETC's Artesia, New Mexico facility by FY 2004 and the retention of all Bureau of Indian Affairs training at that site. Current funding and projected plans/requests allow for significant enhancement to Artesia's physical training plant and throughput capacity.

As part of the Master Plan process, the FLETC continued to construct new facilities at Glynco and Artesia in FY 2000, as well as to make improvements to existing infrastructure. In January, the main entrance and commercial gate facilities at Glynco were completed. Also completed in FY 2000 were a 60,000-square- foot dormitory and four new indoor/outdoor firing ranges.

Several new facilities at the Artesia training center were also completed in FY 2000. These include a 28,000 square-foot classroom/practical exercise building, a Security/Registration building, and a new main entrance.

During the past year, a formal distributed learning implementation strategy was drafted and approved, and the FLETC began developing the distributed learning architecture blueprint to design the "Virtual FLETC" infrastructure. The FLETC continues to move forward on the use of various distributed learning technologies to reduce the cost of training and to make training more convenient and affordable for the Center's customers. Finally, a FLETC Federal/state/local web-training project was established and implemented during FY 2000

Performance Results

Following is a report on the performance targets in Treasury's FY 2000 Performance Plan related to this objective:

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
2	**2 (100%)**	0	0	1 (50%)

Federal Law Enforcement Training Center Performance Goal: *Achieve 80% on Student Quality of Services Survey and assess/modify Master Plan*

Performance Measure: Student Quality of Services Survey

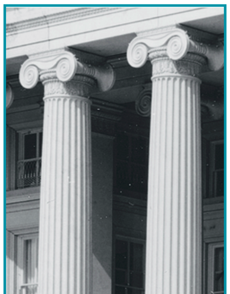
FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	**Performance**
--	--	99%	80%	**100%**

Explanation of Measure: Students in basic and advanced training programs complete surveys on the quality of administrative support services. This measures the percentage of basic training students rating service quality at satisfactory or higher levels.

Performance Measure: Finalize a Comprehensive Development Plan

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	**Performance**
--	Initiate Plan	Revise Plan	Finalize Plan	**Plan Finalized**

Explanation of Measure: The review will take into consideration the training needs of the FLETC's customers. The end result will be the compilation of a living document that will be capable of being revised and changed as the requirements dictate. The FLETC's new Strategic Plan and Five-year Construction Plan includes strategies to direct FLETC resources to meet the changing needs of its customers.



PART IV

MANAGEMENT: CONTINUE TO BUILD A STRONG INSTITUTION

MANAGEMENT MISSION AREA SUMMARY

MISSION: CONTINUE TO BUILD A STRONG INSTITUTION

Treasury's missions include diverse and critical responsibilities in the programmatic areas of economics, finance, and law enforcement. This fourth mission area recognizes the need for strong and efficient management processes and administrative support to accomplish our program missions. The goals and objectives under this mission enable the Department and its bureaus to effectively meet their operational objectives.

The management mission area includes Department-wide goals and objectives to strengthen our human resources, information technology, financial and asset management, procurement, and equal opportunity programs. In addition, it also includes Department-wide initiatives in the areas of customer and employee satisfaction. These are structured to implement a "balanced measures" approach to measuring program success throughout the Department.

In achieving the management mission, Treasury works closely with various organizations to ensure coordination on cross-cutting activities. These organizations include, among others, the Office of Management and Budget, the Government-wide Chief Financial Officers Council, the Office of Personnel Management, the Federal Chief Information Officers Council, and the General Services Administration.

The goals and objectives presented here are viewed as "enabling," support-oriented goals and objectives and are Department-wide in nature. Consequently, all bureaus, under the leadership of the Department, participate in ensuring their implementation.

FY 2000 Highlights

- In January 2000, Treasury implemented a Law Enforcement Demonstration Project that establishes a streamlined hiring process for filling certain scientific, technical, and engineering positions deemed critical. It creates a system of pay banding, in which the pay scales of several GS levels are combined into one pay range and a new hire's compensation can be established on the basis of such factors as: his or her experience, pay in the private sector, competing job offers, professional credentials, and potential value to the bureaus. In addition to general pay increases and locality pay, which cover all employees, participants whose performance meets or exceeds expectations may receive performance-based increases. This demonstration project provides Treasury a competitive system of financial rewards that should enhance efforts to recruit and retain a high-quality workforce.

- In FY 2000, over 81,000 IRS employees voiced their opinions through "Survey 2000," with overall satisfaction results at the IRS showing a 4% increase over both the established target (59%) and FY 1999 levels. "Survey 2000" results showed many areas with significant gains of 5% or more, including "employee pride" (up 6% from 1999), and the "overall job satisfaction" of employees, which reversed its downward trend with an increase of 5% over last year. In addition, improvement in the service-wide ratings for managers can be traced back to favorable ratings given in minimizing work-related stress. Managers have committed to improving all areas through increased communications, partnerships, workgroups, and other innovative approaches. At the sub-unit level, overall results were up, with seven of the 11 sub-units surveyed showing improvement over FY 1999 levels.

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
70	**39 (56%)**	25 (36%)	6 (8%)	31 (44%)

GOAL: SUPPORT THE ACHIEVEMENT OF BUSINESS RESULTS

Treasury's operating programs and staff deal directly with our customers each day and are primarily responsible for meeting our service standards, our business objectives, and our missions. These staff are aided by a management support infrastructure which provides the tools they need to do their job, ranging from providing quick access to the information they need, to maintaining their physical workstations and office environment, to making sure they get paid on time.

To reflect the activities that make up this infrastructure, we have set a strategic goal to improve our capabilities in each of the support areas throughout the Department because, by doing so, we enhance the capability of the operating programs to meet their business targets. In other words, the right people, supported by the right technology, with access to the right information in a well-managed, strategically-driven organization that will get the job done.

Key Partners in Achieving this Goal Include: The Office of Personnel Management, General Services Administration, Government-wide councils (i.e., Chief Financial Officers Council, Federal Chief Information Officers Council, and the Procurement Executive Council), and the Office of Management and Budget.

Benefits to the American Public: Taxpayers deserve the most efficient and effective use of their tax dollars. Emphasis is and must continue to be placed on infrastructure issues within the Department to ensure all mission requirements are met at the least cost to the taxpayer.

FY 2000 Highlights

- Among other accomplishments, Treasury used a variety of recruitment tools to attract high-quality employees, including private sector expertise in marketing, advertising, and search firms, and Internet recruiting.

- Treasury worked on several initiatives to strengthen the Treasury Equal Opportunity Program and to enhance efforts related to diversity, civil rights programs, and discrimination complaints.

- The Department continued to improve quality and timeliness of the Department's financial data, reducing the number of material weaknesses, and maintaining a qualified audit opinion on its FY 1999 financial statements (and eliminating one of two items causing the qualified opinion).

- Treasury succeeded in its Y2K conversion efforts and undertook a number of valuable security assessments to improve the Department's overall security posture, including strengthening Electronic Data Processing general controls in several key bureaus.

- Several bureaus made progress in measuring customer satisfaction of its products and services, and in measuring and improving employee satisfaction.

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
38	**24 (63%)**	12 (23%)	2 (5%)	14 (37%)

Treasury Objective: Improve the Capacity to Recruit, Develop, and Retain High-Caliber Employees

Key Trends

Treasury is a complex organization with 150,000 employees working in various bureaus whose missions range from administering and protecting the Nation's financial system, to ensuring the safety of national and world leaders, to training law enforcement professionals and fighting crime. Recognizing that the achievement of its operational goals is dependent on the quality of its workforce, Treasury is examining the best practices of private industry, as well as state and local governments, in order to take advantage of successful marketing expertise and state-of-the-art recruitment techniques, including using the Internet. This, coupled with many flexibilities that are currently available in the Federal government, should improve the Department’s capacity to attract and retain talented staff.

Measuring the capacity to recruit, develop and retain an effective staff is not clear cut, but several indicator trends may provide some sense of Treasury’s progress in this area. Under the assumption that education levels positively correlate with performance potential, the percentage of college-educated new hires may be viewed as a gross indicator of recruitment success. For Treasury, this indicator has been relatively stable over the past five years with roughly one fifth of all hires possessing at least Bachelor Degrees (see Fig. 30). An indicator of retention success is the percentage of employees that leave the Department that were rated as “outstanding” during their most recent performance review. The general trend in this area has been stable (see Fig. 31).

Fig. 30: New Hire Education Level

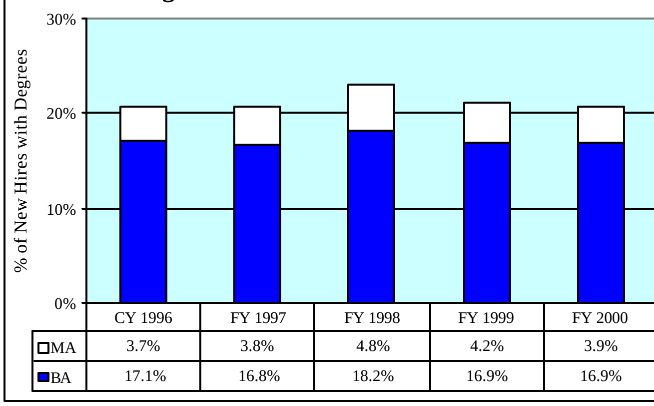
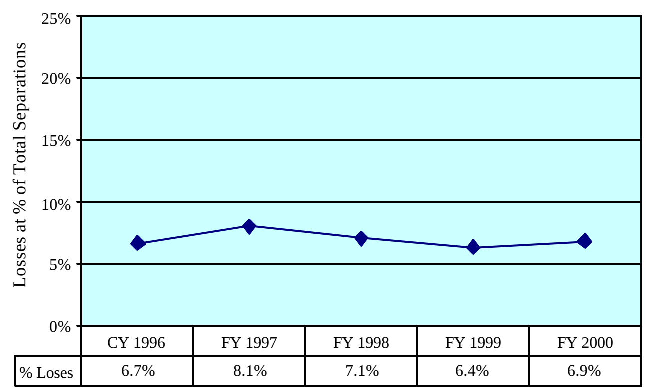


Fig. 31: Losses of "Outstanding" Employees



Factors affecting this objective include the changing nature of the civilian labor force, including expanded employee expectations (financial incentives, cutting-edge work, development opportunities, state-of-the-art tools of the trade, and improved facilities), and fierce competition for the best and the brightest across Government and the private sector.

Treasury Programs

The Assistant Secretary for Management and Chief Financial Officer (through the Office of the Deputy Assistant Secretary for Human Resources) has the primary responsibility for ensuring the implementation of this objective, and directs all human resources-related issues for the Department.

FY 2000 Key Accomplishments and Performance Results

Key Accomplishments

During FY 2000, Treasury made great strides in improving the capacity to recruit, develop, and retain high-caliber employees. Much of the progress was initiated at the Department level and impacted every bureau. Still many more specific programs were initiated in individual bureaus to address a particular problem. Listed below are examples of both Department-wide and bureau specific accomplishments.

Improving the Capacity to Recruit

- ***Using Private Sector Expertise***. A number of bureaus have contracted with professional advertising agencies to develop non-traditional recruitment programs and advertising campaigns that highlight the challenges and career benefits of targeted positions. Recruitment focus includes schools, publications and other audiences with specific expertise. For example, the U.S. Secret Service continues to use public service advertising in schools, providing messages about characteristics needed for its positions. Also, the Internal Revenue Service (IRS) has further expanded its sophisticated marketing and recruitment campaign with a private contractor to develop advertisements that will be delivered via targeted media placement. The U.S. Customs Service (Customs) used a contractor to develop its advertising campaign to disseminate information for its bureau-wide quality recruitment initiative. Other bureaus use private sector search firms to recruit and conduct references for executive level and hard-to-fill positions.

- ***Recruitment on the Internet***. The Department continued improvement of its web site, with an interactive format, to market Treasury employment to the public. Through the use of web-based technologies, bureaus revamped their marketing efforts and hiring processes, and instituted a wide range of recruiting initiatives to carefully target needed skills and appropriate applicant pools. The U.S. Mint turned its web site's electronic commerce application into a recruitment tool – its popular online product catalog has a direct link to its job page. The Federal Law Enforcement Training Center (FLETC) established an electronic recruitment kiosk and Customs continued use of its Quality Recruitment Initiative that allows applicants to apply for advertised openings on the Internet.

- ***Quality Recruitment and Advance Planning***. Recruitment included planning and targeting initiatives that met immediate and long-term needs, given the current competition for quality employees. An example of such an initiative was the Department's success in obtaining an excepted service appointing authority from the Office of Personnel Management (OPM). This authority will provide greater flexibility in recruiting and hiring for certain law enforcement positions. Treasury also participated extensively in the development of a similar government-wide excepted service authority, OPM's new Federal Career Intern Program, which expands the capacity to target recruitment for a variety of occupations and to expedite the hiring process. FLETC developed a successful workforce diversification plan and recruitment team to attract high-quality applicants from targeted groups. The anticipated shortage of information technology (IT) personnel has prompted the development of a Department wide initiative to ensure that potential hires for executive positions possess core competencies and to facilitate effective succession planning for IT leadership. A similar plan using internships for entry level positions is in the developmental stage, with the goal of producing a cadre of individuals who will become future IT leaders. In addition, a key feature of the Customs' Quality Recruitment Initiative is that it can be modified and adapted to recruit for a variety of positions to meet long-term hiring needs. The combined result of all these new authorities should be a positive impact on Treasury's ability to recruit better-educated, higher-caliber employees

Developing Treasury's Leaders

Treasury Executive Leadership Program. Treasury instituted a customized training course open to executive-level employees from all the bureaus who have Senior Executive Service tenure or equivalent rank. Its purpose is to fine-tune and reinforce leadership competencies which executives need for managing their operations and employees to optimum performance. Feedback from program participants has been overwhelmingly positive and has reflected their desire to continue using their expertise and the principles learned to benefit the Department. As a result, Treasury contracted with OPM's Federal Executive Institute to conduct an Action Learning Program, a program for these executives to continue learning new skills while addressing significant business issues. The program uses a mix of a short residential training session, one-day monthly team meetings, and work on the business issue while back on the job. This program is currently being piloted with two teams of executives meeting once a month.

Maximizing the Ability to Retain Employees

The Department is examining different approaches and developing a variety of methods to mitigate disparities that may exist between its compensation/benefits programs and those of private sector firms.

- ***Law Enforcement Demonstration Project***. In January 2000, Treasury implemented a Law Enforcement Demonstration Project that establishes a streamlined hiring process for filling certain scientific, technical, and engineering positions deemed critical. It creates a system of pay banding, in which the pay scales of several GS levels are combined into one pay range and a new hire's compensation can be established on the basis of such factors as: his or her experience, pay in the private sector, competing job offers, professional credentials, and potential value to the bureaus. In addition to general pay increases and locality pay, which cover all employees, participants whose performance meets or exceeds expectations may receive performance-based increases. This demonstration project provides Treasury a competitive system of financial rewards that should enhance efforts to recruit and retain a high-quality workforce.

- ***Repayment of Student Loans***. Treasury played an important role in the issuance of regulations that are expected to enhance the ability to recruit and retain select employees. Legislation had previously been passed which provided for OPM to issue regulations implementing a student loan payment program. Such a program would allow agencies to pay the outstanding student loans of highly qualified candidates/employees in order to recruit/retain them. Since the IRS believed that such regulations would be very beneficial, Treasury urged OPM to act and provided draft language. This language became the basis for the proposed regulations issued by OPM in June 2000.

Performance Results

Following is a report on the performance targets in Treasury's FY 2000 Performance Plan related to this objective:

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
1	0	1 (100%)	0	0

Departmental Offices Performance Goal: *Reengineer the human resources system to provide better support to Treasury missions*

Performance Measure: Percentage of Treasury Employees Serviced by New, Modularly-Developed Human Resources System, *HR Connect*

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	--	11%	6%

Explanation of Measure: Treasury is facilitating the re-engineering of human resources (HR) systems through the development of a new HR System. This system is being developed modularly, resulting in incremental deployment of system functionality. These deployments are being made in a phased-in approach across Treasury. This measure reports the number of Treasury employees whose personnel services are being provided through the new Treasury *HR Connect System* at the current level of available functionality.

Explanation of Shortfall: Currently, approximately 6% of the Treasury population is serviced by the new Human Resources System. This percentage includes employees in the Office of the Comptroller of the Currency, the Bureau of Alcohol, Tobacco and Firearms, and Departmental Offices. Deployments that were originally expected in FY 2000 for the United States Secret Service and the Financial Management Service have been delayed until early calendar year 2001. This delay was mutually agreed upon between the *HR Connect* program office and the affected bureaus based both the program's readiness to service the additional bureaus from a new production facility opened at the IRS Detroit Computing Center, as well as the bureau's readiness to implement the new software.

Treasury Objective: Foster an Environment of Equal Opportunity

Key Trends

Treasury's equal employment opportunity efforts are geared toward attracting, retaining and developing a diverse workforce. Overall, the Treasury's minority employment is significantly above the levels in the total Civilian Labor Force (22% from 1990 Census) and has remained fairly constant over the last four years, meaning that net accession and retention rates for minorities have remained level over this period (see Fig. 32). The Department will continue its focus on minority and female hiring.

Minority representation at the GS 13-15 grades has steadily improved between FY 1996 and FY 2000, increasing from 33% to 35%. Similar gains were realized in minority representation at the SES level between FY 1996 and FY 1999; however, from FY 1999 to FY 2000, minority representation at the SES level decreased from 14% to 12% (see Fig. 33). Promotion rates for minorities (38%) continued above their representation level in the Department (35%) for FY 2000 (see Fig. 34).

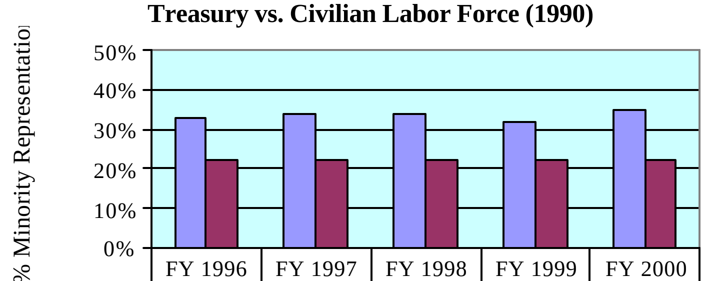
The Department has been responsible for 17% [8] of the new hires with disabilities in the Federal workforce (while Treasury represents only 8.2% of the Federal workforce). In FY 2000-2005 Treasury will increase the effort to ensure that individuals with disabilities are an integral part of the workforce.

Treasury Programs

The Assistant Secretary for Management and Chief Financial Officer (through the Office of the Deputy Assistant Secretary for Human Resources) has the primary responsibility for ensuring the implementation of this objective, and directs the Department's equal opportunity and civil rights responsibilities.

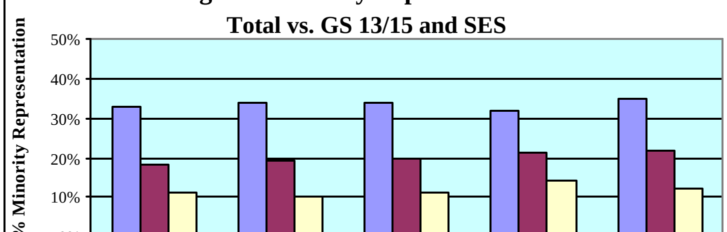
In FY 2000, the Office of Equal Opportunity Program (OEOP) under the Deputy Assistant Secretary for Human Resources was reorganized to improve the Department's ability to meet its equal opportunity and civil rights responsibilities. OEOP administers the Departmentwide equal opportunity program by providing policy, oversight and technical guidance for the bureaus on affirmative employment, special emphasis, diversity, civil rights and discrimination complaint programs.

Fig. 32: Minority Representation
Treasury vs. Civilian Labor Force (1990)



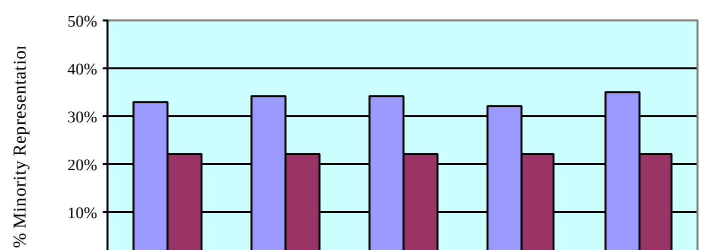
	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000
Total TRS	33%	34%	34%	32%	35%
'90 Civ	22%	22%	22%	22%	22%

Fig. 33: Minority Representation
Total vs. GS 13/15 and SES



	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000
% Min	33%	34%	34%	32%	35%
% 13/15	18%	19%	20%	21%	22%
% SES	11%	10%	11%	14%	12%

Fig 34: Minority Representation
Percent of Total vs. Promotion Rates



	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000
Total TRS	33%	34%	34%	32%	35%
'90 Civ	22%	22%	22%	22%	22%

---

[8] OPM Central Personnel Data File

FY 2000 Key Accomplishments and Performance Results

Key Accomplishments

Over the past year, Treasury embarked on a number of initiatives to strengthen the Treasury Equal Opportunity Program and foster an environment of equal opportunity. The Department balanced our program and resources to address our responsibilities for Diversity, Civil Rights and Discrimination Complaints. Treasury also enhanced our outreach efforts as well as our partnerships internal and external to Treasury by establishing partnerships with schools, including those having large minority populations, maximizing the use of technology (Internet and Intranet), and using existing organizations to leverage recruitment. In addition, we took steps to strengthen our discrimination complaint program focusing on Alternate Dispute Resolution and timely complaint processing.

Diversity

- ***Diversity Day***. As part of the foundation of Treasury's diversity initiatives, the Secretary declared the second Friday in June as the annual Diversity Day throughout the Department. The goal of Diversity Day is to improve communication about, and understanding of, diversity among all employees of the Department and its customers. In addition, the Secretary's Award for Diversity was established to highlight the significance of diversity throughout the Department by recognizing noteworthy individual and group contributions to the success of increasing and managing Treasury's diversity.

- ***Hispanic Executives Summit***. Treasury partnered with the National Association of Hispanic Federal Executives and other Federal agencies and served as host for the Hispanic Federal Executive Summit III, a forum to develop strategies to address the status of Hispanic Executives in the Federal workforce.

- ***Disabilities Hiring***. Also, in support of the President's initiatives on individuals with disabilities, the Department developed a recruitment plan with a 5-year hiring goal of 12,000 for individuals with disabilities – 2,400 annually. This goal results in a 26% increase in the average number of individuals with disabilities hired by the Department annually.

- ***National Recruitment Strategy***. The Department identified a National Recruitment Strategy of information sharing to assist in strengthening our capacity to recruit, hire and train an increasingly diverse workforce. We have examined recruitment strategies of our most progressive bureaus, other Federal agencies and private sector companies and have identified potential best practices to share throughout Treasury.

Civil Rights

Over this past year, the Civil Rights Program focused on assessing the scope of the program, establishing a baseline and putting into place appropriate policies, procedures and regulations. Treasury focused on building a strong civil rights program by issuing program policy guidance and establishing complaint procedures.

Discrimination Complaints

To increase the efficiency of the discrimination complaint process, OEOP contracted out a total of 52 cases for preparation of recommended decisions during FY 2000. Our contracting cases exceeded our 5% goal. We also increased our overall case closure rate by 20% by completing 525 final agency decisions in FY 2000. Other steps taken to improve processing include a study of the Equal Employment Opportunity investigator cadre, which resulted in recommendations for improvement of complaint investigations.

Alternative Dispute Resolution (ADR)

ADR programs, required by the revised Equal Employment Opportunity Commission regulations, provide increased opportunities to resolve workplace disputes. In FY 2000, thirteen Treasury bureaus submitted ADR programs for OEOP approval. OEOP approved five plans and returned the remainder for changes needed to ensure compliance with 29 CFR 1614 regulations. OEOP has also approved Resolution Conference procedures for use by the Treasury Complaint Centers in efforts to resolve complaints.

Performance Results

Following is a report on the performance targets in Treasury's FY 2000 Performance Plan related to this objective:

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
2	**1 (50%)**	1 (50%)	0	0

Departmental Offices: *Improve management operations by increasing the efficiency of the EEO process*

Performance Measure: Percentage of Bureaus with Mechanisms to Allow for Early Complaint Resolution through Alternative Dispute Resolution

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	**Performance**
--	--	--	75%	39%

Explanation of Measure: The Department measures the rate of resolution by comparing the number of employees who seek informal EEO counseling during a given period to the number of formal EEO complaints that are filed. To increase this rate, the Department piloted the use of alternative dispute resolution programs in a small number of situations. Bureaus reported success with early resolution programs. All bureaus are now being required to put in place formal mechanisms that allow for early resolution of complaints.

Explanation of Shortfall: OEOP had planned to put in place formal mechanisms for 10 bureaus. Plans were submitted by 13 bureaus; OEOP approved five and returned the remainder for changes needed to ensure compliance with 29 CFR 1614 regulations. OEOP has established an ADR implementation plan for FY 2001, which includes providing direct assistance to bureaus, to improve performance. OEOP is also working to ensure that an adequate number of trained "neutrals" are available to provide ADR service through the Department's "Shared Neutral" program.

Performance Measure: Percentage of Merit Decision Cases Contracted Out to Increase the Efficiency of the Processing of EEO Complaints in the Final Agency Decision Stage of the Process

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	--	5%	**27%**

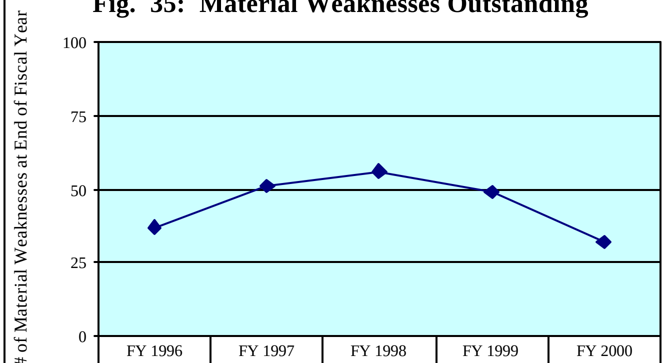
Explanation of Measure: The goal is to decrease the number of processing days while a case is in final agency decision status. Due to the large number of cases received in the past two years, there is a backlog of cases, including a number that are over 180 days old. The goal is to contract out the preparation of recommendations for decisions to reduce the processing time.

Treasury Objective: Ensure Strong Financial Management of Treasury Accounts

Key Trends

Since the passage of the Chief Financial Officers (CFO) Act of 1990, Treasury has made good progress in improving management of its operating funds, the appropriations and funds that support the day-to-day operations of the Department. The continuing improvement of the quality and timeliness of the Department's financial data, and the concurrent improvement in the management of Treasury's accounts on an ongoing basis, is largely dependent on the correction of material financial systems weaknesses. (Material weaknesses are significant problems with an organization's systems' reliability; controls on waste, fraud or abuse; mission performance; and/or compliance with laws and regulations.) Therefore, one key indicator of progress in this area is the trend in the number of "material weaknesses" identified by management, the General Accounting Office (GAO) and Treasury's Inspectors General associated with the Department's management controls and financial management systems.

Fig. 35: Material Weaknesses Outstanding



	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000
# Wkns	37	51	56	49	32

Between FY 1999 and FY 2000, the number of material weaknesses in the Department was reduced by as much as 46 percent, reversing an upward trend from FY 1997 and FY 1998 (see Fig. 35).

Treasury Programs

Leadership and policy guidance in the area of in-house financial management is the responsibility of the Assistant Secretary for Management and CFO (ASM/CFO). The ASM/CFO has established four key implementation strategies to improve financial management within the Department:

- *Financial Systems Strategy*: Improve the capabilities of the Financial Analysis Reporting System (FARS), while ensuring bureau compliance with all Core Financial Systems and OMB Circular A-127 Requirements.

- *Financial Management and Budget Execution Strategy*: Ensure that Treasury-wide/Corporate and Departmental Offices/Bureau Administrative Funds Control Systems/Actions are in compliance with all applicable rules/laws/regulations, while improving the financial analysis capabilities to enhance program performance/decision-making.

- *Financial Reporting Strategy*: Improve the quality and timeliness of the required audit of Treasury-wide FY 1999 financial statements, due in March 2000.

- *Internal Controls/Audit Resolution Strategy*: Strengthen the Department's Internal/Management Controls and Audit Resolution Program.

FY 2000 Key Accomplishments and Performance Results

Key Accomplishments

- ***Financial Data Improvements***. The Department continued the implementation of the Financial Analysis and Reporting System (FARS) to produce its fiscal year 2000 Accountability Report. FARS consists of a data warehouse, the Treasury Information Executive Repository (TIER), and an on-line analytical processor, CFO Vision.

The Department worked with the bureaus to improve the quality and timeliness of their financial data, both proprietary and budgetary. FARS data was submitted to the Financial Management Service (FMS) for preparation of the government-wide budget and financial statements. The use of a single source of financial data will improve the consistency of Treasury's financial data in bureau, Department and government-wide financial statements.

The Department also continued its efforts to standardize key financial data throughout the Department (i.e., the Standard General Ledger, Budget Object Codes at the 3-digit level, and Treasury Fund Symbols). Data stewards were established in each bureau to oversee data standardization in their respective bureaus. A data base was developed to maintain an inventory of these financial data elements for each bureau, which is available to all data stewards.

- ***Financial Systems Improvements***. The Office of Financial Systems Integration conducted a symposium on financial management systems implementation for all Treasury bureaus. A panel of representatives from five Treasury bureaus provided an overview of their financial systems projects, along with lessons learned from these projects. Over 100 Treasury financial professionals attended this symposium.

  In addition, Treasury bureaus continue to make progress in improving their financial management systems. The Bureau of Alcohol Tobacco and Firearms implemented a new Joint Financial Management Improvement Program certified core financial system in October 1999. The U.S. Customs Service has selected a new certified Enterprise Resource Planning system to replace both its core financial system as well as its legacy administrative systems.

- ***Financial Statements***. For the first time, the Department submitted its Accountability Report by the March 1, 2000 statutory deadline. In addition, the number of qualifications in the auditor's report on the Department's financial statements was reduced from two to one.

- ***The Financial Management Service (FMS)*** received an unqualified opinion on its financial statements for FY 2000, with no reportable internal control weaknesses. This represents a significant improvement compared to FMS' previous audit. FMS took an aggressive proactive approach to resolve the deficiencies in its systems and processes that resulted in a qualified audit opinion on FMS' FY 1999 statements.

- ***Internal Controls and Audit Resolution Improvements***. Revamped internal control and audit resolution programs in the Department have resulted in improvements in the performance of the Internal Revenue Service, FMS, the Office of the Comptroller of the Currency, the Office of International Affairs, and the Executive Office of Asset Forfeiture. In addition, improved guidance to Treasury bureaus in internal control and audit resolution areas has resulted in the significant reduction in material weaknesses and the resolution of audit recommendations.

<u>Performance Results</u>

Following is a report on the performance targets in Treasury's FY 2000 Performance Plan related to this objective:

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
14	**11 (79%)**	2 (14%)	1 (7%)	7 (50%)

Departmental Offices Performance Goal: *Improve the capabilities of the Financial Analysis Reporting System (FARS), while ensuring bureau compliance with all Core Financial Systems and OMB Circular A-127 Requirements*

Performance Measure: Percent Completion of an Integration Framework/Strategy and Universal Access to TIER and ITCS Financial Management Information

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	--	100%	8%

Explanation of Measure: The goals of this measure is use of purchased financial reporting software package to produce reliable and timely financial statements which can undergo the scrutiny of an independent audit. Reliability is measured by the type of audit opinion received, with an unqualified audit opinion indicating that financial statements are accurate and reliable in all material aspects.

Explanation of Shortfall: The Department is utilizing FARS to produce its FY 2000 consolidated financial statements. As a result of its efforts to produce these statements, the Department was not able to web-enable TIER and CFO Vision for universal access by the bureaus. Bureaus do, however, have access to their financial statements, which are available on Treasury's Intranet web site, TreasNet.

Departmental Offices Performance Goal*: Strengthen the Department's Internal/Management Controls and Audit Resolution Program*

Performance Measure: Number of Open Material Weaknesses (Significant Management Problems Identified by GAO, the IGs and/or the Bureaus)

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	60 (Corrected)	49	45	**32**

Explanation of Measure: Treasury wants to reduce and eventually eliminate the material weaknesses that currently exist within Treasury, while simultaneously taking actions which will serve to avoid new material weaknesses. Material weaknesses are significant problems with an organization's systems' reliability; controls on waste, fraud or abuse; mission performance; and/or compliance with laws and regulations, identified by the General Accounting Office, Treasury's Inspectors General, and/or Treasury bureaus.

Departmental Offices Performance Goal: *Improve the quality and timeliness of the required audit of Treasury-wide FY 1999 financial statements, due in March 2000*

Performance Measure: Treasury-wide Financial Statement Delivered on Time and Receiving an Unqualified Audit Opinion

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	Qualified Opinion	Qualified Opinion; Delivered on 3/25/99	Maintain a Qualified Opinion for FY 1999; Deliver by 3/1/00	**Maintained a Qualified Opinion for FY 1999; Delivered 2/29/00**

Explanation of Measure: This measures the quality of Treasury's financial statements in terms of the opinion rendered as a result of an independent audit.

Explanation of Performance: The Department maintained a qualified audit opinion on its FY 1999 financial statements, and eliminated one of two items causing the qualified opinion. In addition, by delivering the Accountability Report on February 29, 2000 the Department met the statutory due date for the first time. FMS, in contrast to FY 1999, received an unqualified opinion on its financial statements, with no reportable internal control weaknesses.

Franchise Fund Performance Goal: *Ensure business activities are self-sufficient*

Performance Measure: Total Revenue Equals or Exceeds Total Expenses – Consolidated Fund*

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	Greater than break even	Greater than break even	Equal to or greater than break even	**Greater than break even**

Explanation of Measure: This measure reflects whether revenues exceed or are equal to expenses – a condition of self-sufficiency. Operations are intended to be supported exclusively through the revenue generated by the delivery of services. If a provider cannot adequately assess its costs such that the revenue generated is adequate to cover its expenses, then that provider will not survive in the marketplace.

***** Note: The Consolidated Fund for this account includes seven former Cooperative Administrative Support Units now operating as independent Treasury Franchise Business Activities, the Bureau of the Public Debt Administrative Resource Center, the Center for Applied Financial Management, the Federal Quality Institute, and the Inspector General Auditor Training Institute.

Performance Measure: Current Ratio – Consolidated Fund

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	1.3	1.4	1.5	1.2

Explanation of Measure: The ratio represents the number of times current assets will pay current liabilities. The ratio should be at least one. A ratio of less than one indicate more current liabilities than current assets, which is not good. A ratio of two indicates twice as many current assets as current liabilities, which is preferable.

Explanation of Shortfall: The fund had a stretch goal for FY 2000 (at 1.5), but has subsequently determined that is unrealistic in their business environment, and that a 1.2 is a more appropriate target in the future.

Performance Measure: Results of Annual Audit – Consolidated Fund

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	Unqualified opinion	Unqualified opinion	Unqualified opinion	**Unqualified opinion**

Explanation of Measure: This measures the quality of the Fund's financial statements in terms of the opinion rendered as a result of an independent audit. Audits of Franchise Fund Activities and systems are an important management tool. These audits can indicate management strengths and can also identify opportunities for improvement. For FY 1999, there were no reportable deficiencies related to the financial statements, internal controls or applicable laws and regulations.

Franchise Fund Performance Goal: *Ensure business activities are self-sufficient*

Performance Measure: Percent Change in Total Sales from Prior Year – Consolidated Fund

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	109% (Corrected)	72%	12%	**20%**

Explanation of Measure: Growth in sales volume is one indicator that reflects both market demand and customer satisfaction with our products and services. Growth may reflect choices made by consumers based on cost, quality and added value. This measure is derived by subtracting total revenue for FY 1998 from total revenue for FY 1999 and dividing the difference by the total amount for FY 1998.

Performance Measure: Percent Change in Customers Serviced from Prior Year – Consolidated Fund

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	81%	1%	10%	**57%**

Explanation of Measure: This measure indicates growth/decline over the prior year and is calculated by using customers serviced (current year)/customers serviced (prior year). Customer growth is one indicator that reflects both market demand and customer satisfaction with our products and services. Growth may reflect choices made by consumers based on cost, quality and added value.

Franchise Fund Performance Goal: *Ensure compliance with legal and regulatory requirements*

Performance Measure: Number of Management Control Deficiencies Identified – Consolidated Fund

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	Two Deficiencies (Corrected)	No Deficiencies	No Deficiencies	**No Deficiencies**

Explanation of Measure: Audits of Franchise Fund Activities and systems are an important management tool. These audits can indicate management strengths and can also identify opportunities for improvement. For FY 1999 there were no reportable deficiencies related to the financial statements, internal controls or applicable laws and regulations.

Performance Measure: Results of Annual Audit – Consolidated Fund – PREVIOUSLY REPORTED

Franchise Fund Performance Goal: *Ensure competitiveness*

Performance Measure: Percentage of Program Participation that is Voluntary – Consolidated Fund

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	100%	100%	100%	**100%**

Explanation of Measure: This measure indicates the extent to which customers have the freedom to choose services from the Franchise Fund or other providers. Customers are permitted to exit and go elsewhere for services after appropriate notification to the service provider and be permitted to choose other providers to obtain needed services.

Performance Measure: Percent Change in Total Sales from Prior Year – Consolidated Fund – PREVIOUSLY REPORTED

Performance Measure: Results of Annual Audit – Consolidated Fund -- PREVIOUSLY REPORTED

Office of the Comptroller of the Currency Performance Goal:

I. Develop rigorous and credible processes for budget development and execution, transaction processing, and financial management reporting, and complete the Procurement and installation of a Federal Financial Management Improvement Act (FFMIA) – compliant financial system to begin operations on January 1, 2001.

II. Strengthen financial management practices and internal controls at all levels of OCC to eliminate all material weaknesses, assure full compliance with the Federal Managers Financial Integrity Act (FMFIA) requirements, and demonstrate OCC's adherence to the same high standards of management rigor and integrity required of National banks.

III. Ensure that technology investments are selected for strategic advantage, cost-effectiveness, and overall benefits to the agency.

Performance Measure: Install a Compliant Financial System in Year 2001

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
--	--	--	Complete procurement of the financial system	**Procurement Completed**

Explanation of Measure: Financial Management is in need of a financial system that is compliant with published Generally Accepted Accounting Principles .

Explanation of Performance: System procurement was completed in December, 2000.

Performance Measure: Receive an Unqualified Audit Opinion with No Material Weaknesses and a Statement of Full Compliance with FMFIA from the 2000 Audit

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000 Target	CY 2000 Performance
--	--	--	Unqualified opinion	Data Not Available

Explanation of Measure: An unqualified opinion is received with no material weaknesses and compliance with FMFIA.

Explanation of Performance: Audit is currently in progress. Opinion is expected in Spring 2001 and FY 2000 results will be reported in Treasury's FY 2001 Performance Report.

Performance Measure: Percentage of Time OCC Data Are Available (Server Availability)

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000 Target	CY 2000 Performance
--	--	--	99.5%	**99.8%**

Explanation of Measure: This measure indicates the amount of time the OCC server is operational.

Bureau of Engraving and Printing Performance Goal: *Continue to provide reliable and timely financial information for executives and program managers*

Performance Measure: Unqualified Annual Financial Statement Audit Opinion

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000 Target	FY 2000 Performance
Unqualified opinion	Unqualified opinion	Unqualified opinion	Unqualified opinion	**Unqualified opinion**

Explanation of Measure: This measure represents an assessment by an independent, certified public accounting firm of the integrity of the Bureau's revolving fund and the reliability of financial data used for managerial decision making.

Treasury Objective: Make Wise Capital Investments and Effectively Manage Treasury's Assets

Key Trends

Treasury's capital investment portfolio for FY 2000 consisted of over 150 major projects with an estimated value of $4.4 billion. Based upon the tenets of the Clinger-Cohen Act, Treasury aims to broadly measure results for this objective by tracking the percentage of new information technology (IT) capital investments that are implemented within costs and on schedule, and that meet their performance goals. Success will be measured as well for new non-IT capital investments that adhere to these goals as well as to the basic principles of asset management.

Treasury Programs

Treasury's Capital Investment Review Board (CIRB), chaired by the Assistant Secretary for Management and Chief Financial Officer (with support from the Chief Information Officer for IT projects and the Chief Asset Management Officer for non-IT projects) monitors and reviews Treasury's critical capital assets. The CIRB reviews these capital investments in the context of the Department's business priorities and performance goals. During FY 2000, the CIRB focused on Department-wide IT systems such as telecommunications, and critical systems that support a single mission area in multiple organizational components such as the Treasury Wireless Program. Critical bureau IT systems and non-IT initiatives, such as Customs Modernization and the FLETC Master Construction Plan, were also reviewed.

FY 2000 Key Accomplishments and Performance Results

Key Accomplishments

- The CIRB approved nine capital investments (three IT and six non-IT).

- The Department successfully managed the Treasury-wide Y2K effort.

- Treasury implemented use of the Information Technology Investment Portfolio System (I-TIPS) across the Department and the bureaus as part of their Capital Planning activities. I-TIPS was also used it to electronically submit required reports to OMB. By re-designing its investment management process and aiding that new process with automated tools like I-TIPS, Treasury intends to achieve the purposes of capital planning and management: align investments with the Treasury business missions, develop a repeatable investment management process, and manage initiatives.

- Treasury successfully developed the Motor Vehicle Management System for the Department, one of the newly-centralized systems to effectively manage fleet assets. Using this system, the Department will fully apply asset management life-cycle principles to the acquisition, inventory, operations, maintenance, and disposal activities. This will enhance the investment review process, and serve as the precursor to the budgetary process.

- Treasury prepared several guiding documents, including the first Department-wide IT Strategic Plan, the Information Technology Manual, the Information System Life Cycle Manual, and the Treasury Enterprise Architecture Framework.

Performance Results

Following is a report on the performance targets in Treasury's FY 2000 Performance Plan related to this objective:

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
1	**0**	1 (100%)	0	0

Departmental Offices Performance Goal: *Ensure IT investments improve program performance and facilitate mission goals*

Performance Measure: Percentage of New IT Capital Investments that are Within Costs, On Schedule, and Meeting Performance Targets (using I-TIPS system to track data)

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000 Target	FY 2000 Performance
--	--	Established Baseline	100%	Unmet (Data not available)

Explanation of Measure: Under the Clinger-Cohen Act, new IT investments must be selected, controlled, and evaluated using appropriate investment criteria established by the Treasury Capital Investment Review Board. Treasury's system for tracking these criteria is the Information Technology Investment Portfolio System (I-TIPS).

Explanation of Shortfall:

Bureau IT Initiatives: Although all Treasury bureaus have entered FY 2002 IT budget initiative data into I-TIPS, most of the initiatives did not provide cost, schedule and performance data that would enable the Department to determine the percentage of initiatives that are within costs, on schedule and meeting performance targets. As a result, there are not sufficient data to determine this performance measure.

CIRB IT initiatives: The Treasury CIRB is monitoring approved projects every six months; however, adequate cost, schedule and performance data have not been entered in I-TIPS in order to calculate this performance measure. Using business cases and other data outside of I-TIPS, the CIRB has approved nine investments, three of which are IT. Of the nine approved, five are on cost, schedule and performance, one has been put on hold by the responsible bureau. Monitoring of the remaining three has not occurred since the approvals were only recently issued.

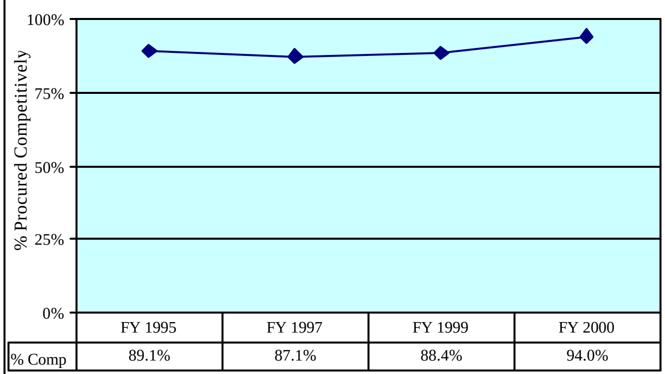
Corrective Actions: Our corrective actions include:

- CIRB -- having the CIRB re-enforce the need for initiatives to provide information to I-TIPS.
- Bureaus -- As necessary, the Department will provide additional high-level guidance and training for bureau representatives.

Treasury Objective: Procure Quality Goods and Services at a Fair and Reasonable Price and In a Timely Manner

<u>Key Trends</u>

Fig. 36: Competition in Contracting



Treasury has continued to measure the effectiveness of its procurement processes through the use of the Competition in Contracting Act (CICA) Program and the Treasury Acquisition Management Program Assistance Program, which monitors the overall quality of Treasury's procurement process, including the Procurement Measurement Assessment Tool (PMAT) Program. Treasury encourages the use of competition through the aggressive implementation of its CICA Program, measuring the extent of competition by comparing the dollar value of products and services procured competitively to those not competed. Over the previous five years period, Treasury has averaged a competition rate of approximately 88%. In FY 2000, Treasury attained a competition rate of 94% (see Fig. 36). Treasury's competition rates are still well above the Government average of 64% and exceed the Government's goal of 75% for FY 2001.

PMAT provides quantitative assessments for 11 different aspects of procurement management, including procurement timeliness, quality, and cost avoidance; procurement data is obtained from the Treasury bureaus on odd-numbered fiscal years. In FY 2000, Treasury completely redefined the cost avoidance measure to include only those costs that were procurement-influenced as a result of the negotiation process. Treasury has established its new cost avoidance baseline from the FY 2000 data recorded in the Treasury Acquisition Data System.

As Treasury progresses into the 21st Century, the demands on the acquisition professional will become greater. The acquisition professional of the future will be required to have knowledge in all facts of business, including program management, budget/finance, and information technology in order to meet the changing requirements and customer expectations. Adequately skilled and motivated professionals, supplied with accurate and timely information, are needed if future acquisition processes are to succeed. The procurement professional will be relied upon to understand the technology being obtained and its impact on the overall Treasury mission. In order to meet these challenges, Treasury acquisition professionals will require more procurement and technology training, additional technological enhancements, and continued improvements to the workplace.

<u>Treasury Programs</u>

The Assistant Secretary for Management and Chief Financial Officer (through the Deputy Chief Financial Officer) has primary responsibility for this objective, and provides direction on all Treasury procurement-related activities.

Treasury is committed to documenting and maintaining strategic performance measures. Treasury's PMAT will continue to evolve as a tool for gaining insights into and making judgements about the procurement organization and the effectiveness and efficiency of its programs, people and processes. Starting in FY 2001, Treasury will participate in the Procurement Executives Council's Government-wide Acquisition Performance Measurement Program. This Program is designed to "document and maintain a strategic performance measurement and management framework to advance the acquisition community's progress towards reaching the vision for the Federal Acquisition System – to deliver on a timely basis the best value product or service to the customer, while maintaining the public's trust and fulfilling the public policy objective."

FY 2000 Key Accomplishments and Performance Results

Key Accomplishments

During FY 2000, Treasury:

- Established and implemented several electronic commerce initiatives, including the Treasury Acquisition Data System that submits contract reports to the Federal Procurement Data System, the use of the General Services Administration's Federal Business Opportunities website for publication of contracting opportunities and solicitation issuance, and a pilot test program for Central Contractor Registration use by Treasury bureaus;
- Continued to monitor and enhance Treasury's Purchase Card Program. Treasury issued over 529,000 transactions during FY 2000, totaling over $157.4M. The use of purchase cards resulted in a cost avoidance of over $34 million;
- Implemented the FAIR Act Program (OMB Circular A-76) at Treasury, and established the FAIR Act Working Group with bureau representation and challenge and appeals process procedures for the Department;
- Educated both the procurement and technical communities on the use of performance-based contracting (PBC), the use of which significantly increased within the Department during FY 2000;
- Implemented an effective Acquisition Management Assistance Review (AMAR) Program that assessed business practices and procurement operations at several bureaus. Treasury's Office of Procurement continues to monitor the successful implementation of the recommendations made by the AMAR teams and the overall quality of Treasury's procurement system;
- Established a Department-wide senior-level information technology procurement working shares best practices, industry perspectives, and guidance on efficient and innovative procurement techniques. The group established liaisons with other Federal agencies and with private industry; and,
- Developed a Department-wide employee rotational program to provide additional developmental opportunities to mid-level personnel.

Performance Results

Following is a report on the performance targets in Treasury's FY 2000 Performance Plan related to this objective:

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
4	**4 (100%)**	0	0	0

Departmental Offices Performance Goal: *Establish a certification program for procurement professionals in compliance with the Clinger–Cohen legislation*

Performance Measure: Percentage of Procurement Personnel Who are Certified

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	--	75%	**80%**

Explanation of Measure: Through the Clinger-Cohen Act, Congress established Government-wide education, training and experience requirements for procurement professionals. This measures Treasury's level of compliance with the new certification requirements.

Departmental Offices Performance Goal: *Implement a new performance evaluation model to improve acquisition practices*

Performance Measure: Cost Avoided through Improved Acquisition Practices

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	Procurement Instructional Memo (PIM) No. 99-13 Sent to Bureaus 10/1/99	Establish Baseline and Implement PIM	**Baseline: $2.5 M PIM No. 99-13 was implemented**

Explanation of Measure: This is a measure of costs avoided as a result of procurement-influenced actions. Cost avoidance will be realized through improved acquisition processes and captured in an automated system for all bureau procurement systems. Standardized formulas for sole source, only two offers, more than two offers, and new acquisition methods will be delineated.

Explanation of Performance: Completed. In FY 2000, Treasury implemented Procurement Instructional Memo (PIM) 99-13, "Cost Savings Addition to Individual Contract Action Reports." This PIM provided guidance on the calculation and reporting of cost avoidance obtained through competition and/or negotiation of Treasury contracts. In addition Treasury modified the Treasury Acquisition Data System (TADS) to allow for the input of these cost savings. TADS results allowed Treasury to establish a baseline of $2,500,000 for future cost avoidance comparisons.

Departmental Offices -- Treasury Building(s) & Annex Repair & Restoration Performance Goal: *By the end of the Building Modernization and Renovation Project, DO will 1) provide safety for DO employees, equipment, and information; 2) comply with building codes, regulations, and the Americans with Disabilities Act; and, 3) prevent deterioration of the Main Treasury Building*

Performance Measure: Complete Designs for the Construction Phase of the Building Modernization and Renovation Project

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	--	Complete Designs	**Designs Completed**

Explanation of Measure: This measure assesses whether designs for the construction phase of Treasury Building's Modernization and Renovation project were completed to provide basis for timely construction of award.

Performance Measure: Award Interior Construction Contract for the Renovation of the Main Treasury Building

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	--	Award Contract	**Contract Awarded**

Explanation of Measure: This measure assesses whether a contract was awarded for the interior construction portion of the renovations to the Main Treasury Building to ensure completion of construction within time and budgets.

Treasury Objective: Ensure Continuity of Treasury Operations

Key Trends

Treasury is faced with the major challenge of building a 21st century security organization that increasingly requires the integration of all security disciplines (i.e., information systems security, industrial and personnel security, physical security, emergency management, operations security, etc.).

Over the course of the last decade, security requirements have risen and budgets have fallen. The end of the Cold War, emergence of e-commerce, and the importance of safeguarding information and infrastructure critical to the nation’s national and economic security posture have spurred our adversaries and competitors to improve on old methods and develop new methods for penetrating America’s national and economic security and potentially disrupting Treasury operations. For example, a recent survey by the Computer Security Institute and the San Francisco Federal Bureau of Investigation's Computer Intrusion Squad, reported that ninety percent of survey respondents detected cyber attacks over the prior year, and of these, 273 organizations reported $265,589,940 in financial losses. The potential threat to Treasury’s financial and operational systems from physical and cyber-terrorism require a multi-faceted approach to Department-wide security issues.

Treasury Programs

The Assistant Secretary for Management and Chief Financial Officer (through the Deputy Assistant Secretary for Information Systems and Chief Information Officer) has primary responsibility for this objective. Treasury consolidated its Offices of Security and Critical Infrastructure Protection and Information Systems Security under this office with the mission to reduce the risks to all Treasury employees, information, systems, and facilities posed by the full spectrum of threats, and to assure the availability of critical infrastructures in times of peace, crisis, disaster or war. A “Plan of Action” to significantly strengthen Treasury’s security posture over the next 12-18 months, and a five-year “Strategic Plan” identifying the goals, objectives, strategies and measures of performance for a new unified, comprehensive security program will soon be completed.

FY 2000 Key Accomplishments

Over the past fiscal year, Treasury’s security forces accomplished the following:

- Successfully supported the Treasury-wide Y2K effort;
- Developed Continuity of Operations Plans for all Departmental Offices organizations and cyber systems;
- Identified Treasury cyber and non-cyber Critical Infrastructure Assets in support of Presidential Decision Directive 63;
- Strengthened Electronic Data Processing general controls, most notably at the Internal Revenue Service, the U.S. Customs Service, and the Financial Management Service;
- Participated in the development of the Federal Chief Information Officers’ Council Information Security Assessment Framework, issued in November, 2000;
- Participated in the development of the National Institute of Standards and Technology Information Security Assessment checklist for Federal agency use in assessing internal information security programs;
- Continued implementation of Treasury’s Emergency Management program;
- Reinvigorated Treasury’s Terrorism Advisory and Insider Threat Working Groups;
- Revised the Treasury Security Manual regarding information systems security compliance;

- Developed an information technology security architecture, which will provide a blueprint for Department-wide guidance; and,

- Developed and began implementing a two-year plan to improve the effectiveness of the Department's security programs.

There were no associated performance measures for the objective during FY 2000.

Treasury Objective: Strengthen Treasury's Ability to Ensure Proper and Effective Oversight of Bureau Operations

Key Trends

Effective oversight of Treasury bureau programs and operations is key to the effective management of Treasury's resources and prudent stewardship. From a Treasury-wide standpoint, one indicator of effectiveness is the extent to which its bureaus are meeting their performance targets. The trend in this area has been slightly positive, with bureaus meeting or exceeding 196 (almost 60%) of the 340 performance. In addition, Treasury improved performance for 154 (two-fifths) of its FY 2000 measures above FY 1999 levels.

Treasury Programs

Several offices contribute to the accomplishment of this objective**.** The Under Secretaries for Enforcement and Domestic Finance and the Fiscal Assistant Secretary provide direction and oversight of the enforcement and fiscal bureaus, respectively. The Assistant Secretary for Management and Chief Financial Officer oversees the strategic management (planning, budgeting, accounting and reporting) functions of the entire Department. The Office of the Inspector General (OIG) and the Treasury Inspector General for Tax Administration (TIGTA) conducts audits and investigations related to the Department's programs and operations, with TIGTA responsible for the oversight of the Internal Revenue Service's activities.

FY 2000 Performance Results

Following is a report on the performance targets in Treasury's FY 2000 Performance Plan related to this objective:

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
16	**8 (50%)**	7 (44%)	1 (6%)	7 (44%)

Departmental Offices Performance Goal: *Effective oversight of law enforcement bureaus*

Performance Measure: Percentage of All Performance Targets Met by Enforcement Bureaus and Major Offices (USCS, ATF, USSS, FLETC, FinCEN, TFF)

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	64%	90%	77%

Explanation of Measure: The Under Secretary for Enforcement has direct oversight for the Treasury law enforcement bureaus and works to assure their goals and measures are in conformance with policy. This measure reflects the success of this oversight.

Explanation of Shortfall: Enforcement bureaus' unmet performance measures were the result of a number of factors. For example:

- ATF did not achieve its planned reduction in regulatory burden due to increased workload. Based on unforeseen changes in the laws and regulation, ATF was unable to meet their planed target. An example of the unforeseen change impacting the goal occurred when Section 9302(j), of the Balanced Budget Act of 1997, which called for a floor stacks tax on cigarettes held for sale January 1, 2000. The requirement to make a record of physical inventories or a record inventory with appropriate source documentation, resulted in an increase in burden hours of 1.5 million.

- Customs did not achieve their planned target for seizures of drugs. Although substantial seizures were made during the fiscal year, Customs combated sophisticated smuggling techniques and innovative changes in methods of concealment of drugs. Customs did not achieve their target for number of seizures for outbound licensing violations. The reduction in the number of seizures can be attributed to limited resources and a continued decrease in the licensing requirements for the Department of Commerce. Because of the expected normalization of diplomatic relations with a number of sanctioned nations, the trend of decreased licensing violations is expected to continue.

- The target for number of Tactical Cases completed within FinCEN was not met. FinCEN continues to expand the number of Federal users with access to BSA information through the Gateway Program, fewer routine cases will be handled by FinCEN analysts. The plan is for FinCEN analysts to handle primarily the more complex, high-profile cases to make the most effective use of our limited staff. In the area of monetary instruments, plan projections were based on the success of a major operation. With the operation now complete, the end of year projection was not achieved.

Departmental Offices Performance Goal: *Develop and implement policies to facilitate achievement of strategic goals in Treasury's Enforcement mission*

Performance Measure: Progress Toward Achieving Treasury's Enforcement Goals

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	--	Qualitative Progress	See Below

Explanation of Measure: This measure tracks efforts toward achieving Treasury's law enforcement strategic goals during FY 2000.

Explanation of Actuals: In FY 2000, The Office of Enforcement (OE) provided critical support and leadership in achieving Treasury's enforcement goals in the following areas:

National Money Laundering Strategy. During FY 2000, OE drafted and issued a National Money Laundering Strategy (NMLS) and contributed to the attainment of several prominent goals of the NMLS. Among these was the publication of a list of 15 jurisdictions with serious deficiencies in their anti-money laundering regimes. OE also continued work on rules for suspicious activity reporting for non-depository financial institutions.

Black Market Peso Exchange (BMPE). The Deputy Secretary co-chaired a meeting of senior corporate officers of major U.S. companies to explain the BMPE, outline current efforts to combat it, and solicit suggestions on additional measures. In addition, the Under Secretary for Enforcement and senior government officials from Aruba, Colombia, and Panama signed the BMPE Working Group Directive, which established a working group that will recommend concrete actions that can be taken by the participating governments to detect, deter, and prosecute BMPE money laundering.

Enhanced Use of the Regulatory Process and Partnership with Industry to Prevent, Deter and Detect Financial and Trade Crimes. OE developed a strategy for simplifying and standardizing Customs Service electronic reporting of data. OE also lead Treasury's efforts in simplifying North American Free Trade Agreement (NAFTA) rules of origin and ensured smooth operation of NAFTA rules of origin and Customs procedures.

National Integrated Firearms Reduction Strategy. OE worked with the Bureau of Alcohol, Tobacco, and Firearms (ATF), and the Department of Justice to develop the National Integrated Firearms Reduction Strategy in an effort to present a comprehensive plan to further reduce gun crime and violence.

Youth Crime Gun Interdiction Initiative (YCGII). YCGII was established in July 1996 to reduce illegal access to firearms, especially by juveniles and youth. YCGII began with law enforcement partnerships in 17 jurisdictions, increased to 27 in FY 1999, and to 38 in FY 2000.

Narcotics Seizures. Narcotics (cocaine, marijuana, and heroin) seizures along the South West border during FY 2000 (October 1999 to September 2000) were 11.4% over FY 1999.

Enhanced Counter-Terrorism Position. OE was instrumental in securing a counter-terrorism budget amendment that amounted to over $77 million. The funds will be used to harden the northern border, add a new National Terrorist Asset Tracking Center, and hire additional staff to prevent and investigate terrorist activities.

Departmental Offices Performance Goal: *Effective oversight of the Bureau of Public Debt (BPD), Community Development Financial Institutions (CDFI) Fund, and Financial Management Service (FMS)*

Performance Measure: Percentage of Performance Targets met by BPD, CDFI, and FMS

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	73%	90%	83%

Explanation of Measure: The Under Secretary for Domestic Finance has direct oversight over the CDFI Fund. The Fiscal Assistant Secretary has direct oversight over BDP and FMS. Success in this measure is predicated upon success by the bureaus in meeting their published performance measures.

Explanation of Shortfall: Although four of fifteen targets were not met in FMS, and two of eleven in CDFI, BPD met 100% of its targets. These results yielded a composite actual performance of 83%, which is a significant increase from the 73% composite score in 1999.

Inspector General Performance Goal: *Increase the percentage of OIG recommendations accepted and implemented by Departmental and bureau managers*

Performance Measure: Percentage of OIG Recommendations Accepted by Departmental and Bureau Managers

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	95%	95%	**95%**

Explanation of Measure: This measure tracks the acceptance rate by Departmental and bureau managers of OIG recommendations included in the reports issued in the current fiscal year.

Performance Measure: Percentage of OIG Recommendations Implemented within Twelve Months of Acceptance by Department and Bureau Managers

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	79%	72%	67%

Explanation of Measure: This measure reflects whether OIG recommendations were implemented by bureau managers in a timely manner.

Explanation of Shortfall: The number of reports and recommendations related to Automated Data Processing control weaknesses, including security weaknesses, generally take longer to fix than other recommendations.

Inspector General Performance Goal: *Increase the potential dollar savings that can be realized from Departmental and bureau management's implementation of OIG audit recommendations*

Performance Measure: Amount of Potential Dollar Savings Identified from OIG Audit Recommendations

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
$60,902,000	$83,447,500	$82,993,000	$46,000,000	**$60,912,617**

Explanation of Measure: This measure reflects the potential dollar savings that can be realized from Departmental and bureau management implementation of OIG audit recommendations.

Inspector General Performance Goal: *Enhance the impact of OIG audit activity by increasing the amount of available resources directed at areas of high priority and key areas consistent with Department and bureau strategic initiatives*

Performance Measure: Percentage of Available Resources Addressing High-Priority Departmental and Bureau Issues

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
74%	82%	85%	85%	**93%**

Explanation of Measure: This measure reflects OIG efforts to ensure that audit resources are directed at high-priority areas consistent with Department and bureau strategic plans, as well as high-risk areas and material weaknesses identified by the Department.

Inspector General Performance Goal: *Provide efficient and effective investigative services in response to allegations of fraud, waste, and abuse*

Performance Measure: Percentage of Investigations Completed within Twelve Months

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
51%	23%	62%	75%	**75%**

Explanation of Measure: This measures the timeliness of OIG investigations and is calculated based on the date a case is opened to the date the OIG issues a final Report of Investigation.

Inspector General Performance Goal: *Conduct objective investigations that result in actions appropriate to the investigative findings*

Performance Measure: Percent of Cases Accepted for Adjudication that Result in Enforcement Actions (i.e., Criminal, Civil, or Administrative Actions)

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	--	60%	25%

Explanation of Measure: This measure tracks the cases accepted by the Department of Justice for criminal prosecution or civil settlement, or by Treasury officials for administrative action, that result in some type of enforcement action. The measure reports cases resulting in enforcement actions as an overall percentage, and reflects the quality of the OIG investigative process.

Explanation of Shortfall: Several investigations did not receive responses from either the respective agency or the appropriate judicial system in time to have them included in these statistics.

Performance Measure: Investigative Monetary Benefits

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
$1,008,420	$209,455	$707,633	$350,000	$242,525

Explanation of Measure: This measure reflects the total amount of monetary benefits resulting from OIG investigations.

Explanation of Shortfall: Settlement agreements were not concluded in some investigations that would have been included in these statistics. Negotiations between the U.S. Attorneys' offices and subjects involved are still pending.

Inspector General for Tax Administration Performance Goal: *Increase the potential monetary benefits expected from IRS's corrective actions to audit recommendations*

Performance Measure: Potential Monetary Benefits Resulting from Corrective Actions to Audit Recommendations (in millions)

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000 Target	FY 2000 Performance
--	--	$192.0	$102.0	**$117.1**

Explanation of Measure: Potential monetary benefits are the total questioned costs and funds that could be put to better use identified in audit reports issued in a fiscal year. The term "questioned cost" means a cost that is questioned because of: (1) an alleged violation of a provision of a law, regulation, contract, or other requirement governing the expenditure of funds; (2) a finding that, at the time of the audit, such cost is not supported by adequate documentation ("unsupported cost"); or (3) a finding that expenditure of funds for the intended purpose is unnecessary or unreasonable. Questioned costs also include "disallowed costs," which means a cost that management has sustained or agreed should not be charged to the Government. The term "funds put to better use" means funds that could be used more efficiently and effectively if management took actions to implement and complete an audit recommendation(s).

Inspector General for Tax Administration Performance Goal: *Increase the number of taxpaying entities for whom rights and entitlements are protected, taxpayer burden is reduced, or privacy and security over sensitive taxpayer information is improved as a result of the audit recommendations*

Performance Measure: Number of Taxpaying Entities Impacted by Audit Recommendations that Protect Rights and Entitlements, Reduce Taxpayer Burden or Improve Privacy and Security (in millions)

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000 Target	FY 2000 Performance
--	--	9.1 (Corrected Actual)	10.2	**11.3**

Explanation of Measure: Total number of taxpaying entities for whom rights and entitlements are protected, taxpayer burden is reduced or privacy and security over sensitive taxpayer data is improved because of audit recommendations made in audit reports issued during a fiscal year. The term "protect rights and entitlements" refers to the protection of due process (rights) granted to taxpayers by law, regulation, or IRS policies and procedures. The term "taxpayer burden" refers to the time saved by individuals or businesses in contacts, record keeping or preparation to comply with tax laws, regulations and IRS policies and procedures. The term "improved privacy and security" refers to the protection of taxpayer financial and account information (privacy) and the protection of tax-related processes, systems and programs (security).

Inspector General for Tax Administration Performance Goal: *Maintain the percentage of audit recommendations agreed to by management*

Performance Measure: Percentage of Audit Recommendations Agreed to by IRS Management

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	95%	90%	89%

Explanation of Measure: The percentage is computed by dividing the total number of audit recommendations agreed to by IRS management in a fiscal year by the total number of audit recommendations made in a fiscal year.

Explanation of Shortfall: Since becoming an Inspector General Office, there has been an increase in both the number and the impact of TIGTA's audit recommendations. As a result, IRS management has taken a greater interest and, in some instances, taken issue with the audit recommendations made. This has contributed to an increase in the number of recommendations disagreed to by IRS management. With the increase in the number of audit reports issued by TIGTA and the General Accounting Office, the IRS has indicated it has neither the resources nor capacity to address all the audit recommendations it receives. TIGTA management does not believe that the level of disagreement is an adverse reflection of the quality of the audit recommendations. Regardless of the level of disagreement, TIGTA management believes it is important to maintain a high level goal and will continue to make recommendations that it feels are pertinent to the issues identified in its audit reports.

Inspector General for Tax Administration Performance Goal: *Increase the percentage of IRS employees attending awareness/integrity briefings*

Performance Measure: Percentage of IRS employees attending integrity awareness briefings

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	36%	38%	**47%**

Explanation of Measure: The percentage is computed by dividing the number of IRS employees attending TIGTA awareness/integrity briefings in a fiscal year by the average number of permanent IRS employees on rolls during the fiscal year.

Inspector General for Tax Administration Performance Goal: *Maintain the percentage of criminal investigative reports that are referred to the U.S. Attorney, state or local authorities for prosecution within one year of case initiation*

Performance Measure: Percentage of Investigations Referred to the U.S. Attorney, State or Local Authorities for Prosecution Within One Year of Case Initiation

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	80%	80%	**85%**

Explanation of Measure: The percentage is computed by dividing the number of criminal investigations referred during the fiscal year within one year of initiation by the total number of criminal investigations referred during the fiscal year. Criminal investigations are referred to the Assistant U.S. Attorney, state or local authorities.

Inspector General for Tax Administration Performance Goal: *Increase the percentage of misconduct (non-criminal) investigative reports that are referred to management for administrative adjudication within four months of case initiation*

Performance Measure: Percentage of Investigations Referred to Management for Administrative Adjudication Within Four Months of Case Initiation

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	51%	60%	48%

Explanation of Measure: The percentage is computed by dividing the number of misconduct cases referred to management during the fiscal year within four months of initiation by the total number of misconduct cases referred during the fiscal year. Misconduct investigations involve an IRS or TIGTA employee.

Explanation of Shortfall: TIGTA established its FY 2000 goal at a reasonable first year target for referring misconduct cases for administrative adjudication. TIGTA management believes it was important to ensure its investigative resources were focused on timely referrals even though there were a substantial number of cases that were already overaged when this goal was established. TIGTA was committed to working its overaged inventory, some of which were cases initiated prior to TIGTA's inception, and this adversely impacted being able to achieve the goal. For example, over one third of the investigations referred during FY 2000 involved cases that were initiated prior to establishing the goal. TIGTA achieved a 67% referral rate within four months of initiation for cases initiated after 9/30/99, which exceeded the established goal. Although TIGTA did not achieve its first year target, establishing the goal at this level of performance served to communicate its firm commitment to delivering timely investigative services to its staff, customers and stakeholders.

GOAL: IMPROVE CUSTOMER SATISFACTION

Treasury is a very diverse organization that has many different customers -- the American taxpayer, the trade industry, the Federal Reserve and other Federal agencies, investors, and State and local governments. A key element in delivering quality services to the public is to regularly define customer expectations and to develop specific standards based on those expectations. In addition, performance against those expectations should be measured on a regular basis, should be reported back to the public, and feedback information should be used to continuously modify goals and objectives.

Benefits to the American Public: As Treasury strives for excellence and efficiency in performance, it seeks to deliver quality products and services to all its stakeholders and customers.

Treasury Programs

Treasury has made customer satisfaction improvement a Department-wide objective, and leads this effort through the Assistant Secretary for Management and Chief Financial Officer. All bureaus have been encouraged to develop customer service standards and to regularly measure customer satisfaction.

FY 2000 Key Accomplishments and Performance Results

Key Accomplishments

Several bureaus made progress in measuring customer satisfaction of their products and services:

Internal Revenue Service (IRS). "Top Quality Service" to each Taxpayer was one of the IRS's Strategic Goals in FY 2000. Customer surveys were continued in FY 2000, with results showing modest improvement in customer satisfaction in most areas addressed. The highest ratings were in the taxpayer assistance functions, while sensitive functions such as collection and examination also showed improvement. During the fiscal year, the Treasury Inspector General for Tax Administration (TIGTA) conducted nine audits on the IRS Customer Satisfaction Transactional Surveys. The chief concern of the audits focused on survey administration, such as the taxpayer response rates to the survey, the size and selection of sample populations, and establishing management controls over completed surveys. IRS took both programmatic and organizational actions to address the concerns stated in the TIGTA reports. IRS recently awarded a new five-year Blanket Purchase Agreement for development of a strategy identifying the best way to secure accurate and valid customer satisfaction data. As part of the process, IRS will ensure the data gathered from the Customer Satisfaction Surveys meets both internal operational needs as well as Results Act requirements.

Also during FY 2000, several pilot programs were used to test how changes in IRS business practices impact customer satisfaction. Lessons learned from these pilots will be used to develop guidelines and training on the use of customer survey data throughout the IRS.

In other customer areas:

- A record number of taxpayers accessed the award winning IRS Web Site, downloading both forms and information for use in preparing their returns.
- IRS also met or exceeded in its goal to resolve taxpayer issues on the first contact.
- IRS increased numbers and locations of the Problem Solving Day sessions at IRS sites to focus attention on resolving complex taxpayer account issues.

The Federal Law Enforcement Training Center (FLETC). The FLETC continued to improve customer satisfaction with regard to the delivery of quality training in state-of-the-art facilities, and measures the rate of satisfaction through Quality of Training and Quality of Services surveys administered to students who attend training at the FLETC facilities. In addition, the FLETC developed a Participating Organization Satisfaction Survey, which will be administered for the first time during FY 2001 to set a baseline for FLETC service.

TIGTA. In June 2000, TIGTA issued a customer satisfaction survey to its IRS customers. All IRS senior executives and other specifically-identified managers who had received audit products since TIGTA's inception, were surveyed. TIGTA attained a 45% response rate with 62% of the respondents providing favorable feedback regarding TIGTA's products and services. Action plans were developed to address the specific concerns raised by their customers, and the survey results were shared with all TIGTA employees so they are cognizant of their customers' concerns as they conduct day-to-day activities. TIGTA is committed to improving the survey vehicle, response rates and satisfaction levels in subsequent years.

Bureau of Alcohol, Tobacco and Firearms (ATF). During FY 2000, ATF began working with the University of Michigan to conduct an initial customer satisfaction survey for one industry segment (proprietors of wineries, distilled spirits' plants, breweries, and importers of alcohol beverages). This work will continue into FY 2001, and may be expanded to other customer segments.

The U.S. Mint. The Mint's operations include providing circulating coinage to the Federal Reserve System as well as selling collectible items directly to the public. These two different operations call for two surveys that the Mint uses to gauge performance in providing customer service. The annual Federal Reserve Board (FRB) Customer Satisfaction Survey determines and tracks the satisfaction of the Federal Reserve Board with a variety of components of U.S. Mint service – namely, on on-time delivery, order accuracy, and handling of complaints, as well as knowledge, courtesy, and helpfulness of the Mint's FRB representatives. The survey has prompted the Mint and the FRB to work together to enhance communications and to jointly manage coin inventories to avert shortages. The American Customer Satisfaction Index (ACSI) allows the Mint to benchmark against private sector industries and companies, and facilitates the Mint's efforts to match the best in product quality and customer service. The Mint continues to rank comparably to satisfaction-leading industries and companies such as J.J. Heinz, Hershey Foods, Proctor & Gamble, Maytag, Whirlpool, BMW, Mercedes Benz and Buick.

<u>Performance Results</u>

Following is a report on the performance targets in Treasury's FY 2000 Performance Plan related to this objective:

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
21	**15 (71%)**	5 (24%)	1 (5%)	12 (57%)

Internal Revenue Service Performance Goal: *Service to each taxpayer (Customer Satisfaction Performance Measures)*

Performance Measures: Customer Satisfaction – By Functional Area	FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
				Target	Performance
Toll Free Service (4-point scale*)	--	--	3.46	3.60	3.46
Walk-In (7-point scale)	--	--	6.4	6.5	**6.5**
Field and Office Examination (7-point scale)	--	--	4.1	4.4	**4.4**
Field Collection (7-point scale)	--	--	3.9	3.9	**4.6**
Automated Collection System (4-point scale*)	--	--	3.4	3.4	**3.4**
Service Center Examination (7-point scale)	--	--	3.9	4.0	**4.0**
Appeals (7-point scale)	--	--	4.44	4.85	4.82
Exempt Organization Determination (7-point scale)	--	--	5.3	5.3	**5.6**
Exempt Plans Determination (7-point scale)	--	--	5.5	5.5	**5.6**
Exempt Organization Examination (7-point scale)	--	--	5.5	5.5	**5.6**
Exempt Plans Examination (7-point scale)	--	--	5.4	5.4	**5.6**
Chief Counsel Support (7-point scale)	--	--	5.7	5.7	No Data

Explanation of Measure: These measure represents the customers' overall level of satisfaction with the services provided by various IRS programs. Survey recipients are asked to rate IRS performance on either a four-point or a seven-point scale, where 1 indicates *Very Dissatisfied* and a 4 or 7 indicates *Very Satisfied*

* A 4-point scale was adopted in FY 2000 to replace the 7-point scale presented in the FY 2000 Final Performance Plan. Beginning in FY 2000, IRS moved to an automated survey system for these functions. Testing revealed that a 4-point scale works better with an automated survey. FY 1999 performance, as well as the FY 2000 target, were recalculated for comparison purposes.

Explanation of Shortfalls:

Toll Free: Despite increases in many of the areas that drive customer satisfaction such as courtesy, fairness, professionalism and responsiveness, overall improvement remains static due to factors related to the customers ability to reach IRS by telephone. To improve survey results in the top-priority improvement areas (ease of getting through by phone, automated answering system and time spent on issues) the following steps were taken during FY 2000: increase staffing resources during core hours, utilization of automated services during core and non-core hours and expansion of the electronic referral capability. In addition, post-routing of calls after hours to sites in later time zones, routing of account and refund traffic to call sites in service center locations, and adjusting access to achieve an appropriate balance on all product lines were implemented. Prompting to more adequately identify caller need and selection of the most appropriate center to handle those needs was another initiative implemented to improve access to the automated systems.

Again in FY 2001 significant enhancements are planned in the toll–free area including the use of network prompting and voice recognition (scheduled for implementation in February 2001) and a more integrated work planning and control system to provide local management with more information to monitor adherence to schedules. In addition, as a result of a TIGTA audit of the toll-free customer satisfaction survey, actions will be taken in FY 2001 to ensure that the survey is administered properly and that data to report survey results are reliable, valid and verifiable and meets GPRA requirements.

Appeals: The rating of 4.82 while not at target represents approximately a 9% increase in overall customer satisfaction from the prior year. In FY 2000 the top three improvement priorities were Length of Process, Time to Hear from Appeals, and Time to Schedule a Conference. In FY 2001 Appeals will again focus on these priorities to further improve survey results as well as focusing efforts on improving survey response rates (44% for 1998 and 47% for 1999) such as exploring alternative methods of survey administration.

Chief Counsel: A survey of the internal IRS customers to determine Chief Counsel customer satisfaction was not conducted in FY 2000. The survey was postponed due to the impact of the Office of Chief Counsel restructuring and the refinement of the Chief Counsel Customer Survey methodology. The next Chief Counsel survey is tentatively scheduled for May 2001.

Federal Law Enforcement Training Center Performance Goal: *Achieve 80% on Student Quality of Training survey*

Performance Measure: Student Quality of Training Survey
(a) Basic Training
(b) Advanced Training

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
(a) – (b) --	80% 80%	99% 99%	80% 80%	**99.2%** **99.2%**

Explanation of Measure: Basic and advanced training program students are surveyed to obtain their views on the overall quality of training received.

Federal Law Enforcement Training Center Performance Goal: *Achieve 80% on Student Quality of Services Survey*

Performance Measure: Rating on Student Quality of Services Survey

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	99%	80%	**100%**

Explanation of Measure: Students in basic and advanced training programs complete surveys on the quality of administrative support services. This measure is the percentage of student ratings of basic training service quality at satisfactory or higher levels.

Inspector General for Tax Administration Performance Goal: *Increase the percentage of customer and stakeholder survey respondents who indicate TIGTA's products were valuable and/or services were satisfactory*

Performance Measure: Percentage of Customer Survey Respondents Who Indicate TIGTA's Products and Services are Satisfactory

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	--	Set Baseline	62%

Explanation of Measure: The percentage is calculated by dividing the number of respondents expressing satisfaction with TIGTA products or services by the total number of respondents. Surveys will be conducted at least annually.

Inspector General Performance Goal: *Increase the percentage of customers and stakeholders indicating that Audit's work products and services were timely, met their needs, and improved program activities; based upon survey questionnaires, follow-up reviews, and other feedback mechanisms*

Performance Measure: Percentage of Customers Expressing Satisfaction with the Audit's Products and Services

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
85%	95%	92%	90%	**92%**

Explanation of Measure: This measure reflects whether audit's products and services met customer needs, and is based on customer satisfaction surveys issued on a quarterly basis.

Inspector General Performance Goal: *Provide efficient and effective investigative services in response to allegations of fraud, waste, and abuse*

Performance Measure: Percentage of Customers Indicating that Investigations' Work Products Were Timely, Met Their Needs, and Improved Treasury Program Activities

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
	82%	100%	80%	**99%**

Explanation of Measure: This measure reflects whether Investigation's products and services met customer needs, and is based on customer satisfaction surveys issued on a quarterly basis.

U.S. Mint Performance Goal: *Produce coins and maintain inventories at sufficient levels to meet Federal Reserve Bank (FRB) requirement*

Performance Measure: Federal Reserve Board Customer Satisfaction Survey

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	85%	91%	85%	83%

Explanation of Measure: This measure is used to indicate the level of customer satisfaction of one of the Mint's most important customers, the Federal Reserve Banks. The Federal Reserve's twelve district banks are surveyed annually to measure their satisfaction with the Mint's product, customer service, and delivery. In FY 1999, the survey was expanded to include the 25 member banks as well.

Explanation of Shortfall: New challenges confronted both the Mint and the FRB in FY 2000. Some of these were associated with the introduction of the new Golden Dollar, which included promotional efforts targeted at public awareness. Increases in coin shipments were necessary to meet the needs of commerce for the nation, and the increased activity resulted in more opportunities for errors. As a means of providing increased customer satisfaction with the FRB, Mint Staff communicates daily with the Cash Fiscal Product Office (CFPO) and individual FR Banks and Branches to discuss coin issues and resolve problems. The Mint has also established regularly scheduled monthly meetings with the CFPO to discuss and resolve system wide coin issues. Feedback from surveys offer other opportunities to improve FRB customer satisfaction as they work together to supply the nation's commercial institutions with the coinage needed for commerce.

Performance Measure: American Customer Satisfaction Index Score

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	86	85	84

Explanation of Measure: The American Customer Satisfaction Index (ACSI) is an indicator that measures customer satisfaction. This is a measure of the U.S. Mint's customer satisfaction rating, performed by a third party, and based on input from our customers.

Explanation of Shortfall: The lower than expected result may be due in part to order fulfillment problems experienced by some of our numismatic customers for commemorative and recurring products noted in the comments for those measures. Significant growth in the numismatic recurring products has been achieved by expanding both our customer base and our product lines. The many new customers for Mint products present new expectations along with those of our long-time customers. The Mint is currently working to implement a project that will contain costs and improve performance on customer service and order fulfillment. This project will redesign the Mint's online catalog, improve the ordering process, centralize the product-order fulfillment process, and initiate customer relationship management policies and practices.

Franchise Fund Performance Goal: *Ensure customers are satisfied with all aspects of service provided – quality of products, delivery, price, and conduct of business*

Performance Measure: Customer Satisfaction Approval Rating – Consolidated Fund

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	91% (Corrected)	87%	91%	**91%**

Explanation of Measure: This measure indicates an objective level of customer satisfaction based on the results of several techniques and methodologies, including formal written surveys, complaint follow-up (written and oral), site visitations, and market research. Customer satisfaction research helps to determine the sources of competitive strengths and weaknesses. It identifies specific functional areas that need improvement and provides direction about how to improve them. In particular, customer satisfaction research helps increase customer retention and stimulate repeat purchase. Lastly, it provides an understanding of what customers think of our businesses (image) and even identify opportunities to re-position the business in the marketplace.

GOAL: IMPROVE EMPLOYEE SATISFACTION

Treasury's workforce is by far its most important asset. The need to measure employee satisfaction is based on the premise that our employees are in the best position to assist us in identifying the organizational strengths and weaknesses that either enhance or diminish their ability to do their jobs well. Treasury has established this goal to emphasize its efforts to improve the culture of the organization.

Benefits to the American Public: At its core, employee satisfaction is a measure of management effectiveness and, as such, can be viewed as an early indicator of the organization's ability to succeed in meeting its mission and providing quality products and services.

Treasury Programs

The Assistant Secretary for Management and Chief Financial Officer has primary responsibility for this objective, and coordinates with Treasury bureaus on their progress and accomplishments in this area. All bureaus have been encouraged to regularly measure employee satisfaction.

FY 2000 Key Accomplishments and Performance Results

Key Accomplishments

Internal Revenue Service (IRS). In FY 2000, over 81,000 employees voiced their opinions through "Survey 2000," with overall satisfaction results at the IRS showing a 4% increase over both the established target (59%) and FY 1999 levels. "Survey 2000" results showed many areas with significant gains of 5% or more, including "employee pride" (up 6% from 1999), and the "overall job satisfaction" of employees, which reversed its downward trend with an increase of 5% over last year. In addition, improvement in the service-wide ratings for managers can be traced back to favorable ratings given in minimizing work-related stress. Managers have committed to improving all areas through increased communications, partnerships, workgroups, and other innovative approaches. At the sub-unit level, overall results were up, with seven of the 11 sub-units surveyed showing improvement over FY 1999 levels.

Treasury Inspector General for Tax Administration (TIGTA). In September 2000, an employee satisfaction survey was issued to all TIGTA employees (administered by an outside contractor to secure the anonymity of respondents). TIGTA's target was to set a baseline for this first year. A 58% response rate was attained, with 74% of the respondents providing overall positive feedback about their work experience in TIGTA. The detailed survey results are being reviewed by TIGTA's functional executives and action plans will be developed where warranted. Additionally, the results of the surveys have been shared with all TIGTA employees. TIGTA is committed to improving the employee satisfaction survey vehicle, response rates and satisfaction levels in subsequent years.

Bureau of Engraving and Printing (BEP). In FY 2000, BEP contracted with a private sector firm to conduct an agency improvement survey at the Bureau's Washington and Fort Worth facilities. The survey was conducted of all Bureau employees to gauge their attitudes about the organization's leadership, training/career development opportunities, communication, rewards and recognition, employee involvement, diversity, security and equal opportunity. Employee participation in the survey exceeded expectation, with more than two-thirds participating. After the survey results were analyzed, focus groups were convened to obtain more detailed information about employee concerns. The results are being used to make recommendations for improvement. In addition, a baseline will be set from which to gauge future survey results.

Federal Law Enforcement Training Center (FLETC). The FLETC is working to improve Employee Satisfaction and will administer an employee satisfaction survey in FY 2001. They are providing improved human resource services through proactive consultations, automation, streamlining and elimination of unnecessary processes. Additionally, several programs were implemented to increase opportunities for individual professional and career development.

Office of Thrift Supervision (OTS). In 2000, OTS workforce development and satisfaction efforts included piloting a professional development pilot program to offer a wide range of individually-tailored development activities that go beyond formal classroom training and enable employees to succeed in an increasingly complex environment. OTS also introduced specialty examiner tracks for post-accreditation examiner advancement in areas where OTS requires special expertise.

The U.S. Mint. In early FY 2000, the Mint, in cooperation with the Office of Personnel Management, issued a voluntary Organizational Assessment Survey (OAS) to assess and benchmark employee attitudes and opinions on a variety of subjects directly related to organizational performance. In the six years the Mint has utilized the OAS, it has been a key driver of change in the organization. Previous results have led to improvements in the Mint's customer orientation, strategic planning process, and employee development programs. The recent survey results showed an overall decline in employee's ability to balance work and family life. As a result the Mint implemented several programs aimed at assisting in this challenge, including a child-care tuition reimbursement program and lifecare.com—an online service that helps employees more effectively manage day-to-day responsibilities and life events. The Mint has scheduled the next OAS for May 2001.

Performance Results

Following is a report on the performance targets in Treasury's FY 2000 Performance Plan related to this objective:

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved**
16	**7 (44%)**	7 (44%)	2 (12%)	7 (44%)

Internal Revenue Service Performance Goal: *Productivity Through a Quality Work Environment (Employee Satisfaction)*

Performance Measure: Employee Satisfaction (Service-wide)

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	55%	55%	**59%**

Explanation of Measure: This is a Service-wide measure of employee satisfaction which measures employee perceptions of the work environment, management practices, and organizational barriers that affect employees' willingness and ability to do a good job. Employees were asked to rate the IRS performance on a five-point scale, where 1 represents *strongly disagree* and 5 represents *strongly agree*. The employee satisfaction score is the percentage of favorable ratings, or ratings of 4, "Agree" or 5, "Strongly Agree" across the 12 indexes included in the survey (training, resources, empowerment/involvement, quality, management effectiveness, manager/employee relations, manager communications, manager effectiveness, performance management, respect, ethics, and summary satisfaction). This Service-wide measure aggregates results conducted in individual units of IRS, and are reported below.

Internal Revenue Service Performance Goal: *Productivity Through a Quality Work Environment (Employee Satisfaction)*

Performance Measure: Employee Satisfaction – By Functional Area	**FY 1997 Performance**	**FY 1998 Performance**	**FY 1999 Performance**	**FY 2000**	
				Target	**Performance**
Taxpayer Advocate Service	--	--	--	Establish Baseline	67%
Field and Office Examination	--	--	52%	53%	**56%**
Collection	--	--	47%	48%	**53%**
Tax Exempt and Government Entities	--	--	57%	57%	**60%**
Statistics of Income	--	--	72%	72%	**76%**
Chief Counsel	--	--	61%	61%	**64%**
Submission Processing/ EOSCO	--	--	57%	57%	55%
ACS	--	--	55.0%	60.5%	53.0%
Toll Free	--	--	55.0%	60.5%	55.0%
Service Center Examination	--	--	55.0%	60.5%	52.0%
Appeals	--	--	58%	58%	57%
Walk-in	--	--	55.0%	60.5%	59.0%

Explanation of Measure: Measure of employee perceptions of the work environment, management practices, and organizational barriers that affect employees willingness to perform effectively.

Explanation of Shortfalls:

Submission Processing/EOSCO: This score is a composite for the Executive for Service Center Operations (EOSCO). The Employee satisfaction score fell below the planned goal due primarily to uncertainty over where employees would be placed in the both the national office and service centers under the reorganization. Scores fell below the FY 1999 levels despite implementation of transition teams to assist employees within the organization. Lack of timely information being disseminated to employees around the reorganization is also suspected to be a contributing factor in spite of the efforts to alleviate employee concerns such as transition briefings, sessions by career counselors, and development of an "Ask the Director" corner on the Submission Processing home page. In FY 2001, employees from Submission Processing/EOSCO will be co-mingled within several of the new Operating Divisions and activities related to Employee Satisfaction are outlined in the FY 2001/2002 Strategy and Program plans.

ACS, Toll Free and Service Center Examination: Despite increases on every index score compared to FY 1999, performance goals were not met and the areas within the Telephone and Correspondence area lagged behind overall IRS increases. Training continues to be the number one targeted area which showed the lowest area of improvement with the highest improvement scores shown in quality, performance management and management satisfaction. Attention and activities have had an obvious impact on scores and targeting specific areas will continue in FY 2001. In FY 2001, employees from these units will be co-mingled within several of the new Operating Divisions and activities related to Employee Satisfaction are outlined in the FY 2001/2002 Strategy and Program plans.

Appeals: The slight (1%) decrease from FY 1999 is believed to be attributable to the uncertainty and anxiety related to the Appeals restructuring and the downsizing of 60 grade 14 Appeals Officers/Analysts as well as clerical positions. However, like last year, workgroup ratings are very positive and increased overall by 2%. In FY 2000, Management Effectiveness has the highest "Potential for Improvement" and will be the focus of efforts in FY 2001.

Walk-in: Survey 2000 indicates that employee satisfaction has increased from 55% to 59% as compared with Survey 99. The National Office Customer Service organization was committed to improve employee satisfaction rates during this period, as reflected by the initiatives accomplished within the FY 2000 A/C (Customer Service) Operations Plan. In FY 2001, employees from the Walk-In areas will be co-mingled within several of the new Operating Divisions and activities related to Employee Satisfaction are outlined in the FY 2001/2002 Strategy and Program plans.

Future plans to improve employee satisfaction include:

- Continued communication with employees throughout the organization from the top down through.
- Workgroup meetings will be held to list positive actions that affect division employees
- Partnerships will continue between managers and employees to address employee concerns
- New approaches to the use of survey data will continue such as appointments of workgroup spokespersons to meet with each employee, identifying topics and issues around necessary training.

Inspector General for Tax Administration Performance Goal: *Increase the percentage of employee survey respondents who indicate the work environment and career opportunities within TIGTA are positive.*

Performance Measure: Percentage of Employee Survey Respondents Who Indicate the Work Environment Within TIGTA is Positive

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	--	Set Baseline	74%

Explanation of Measure: The percentage is calculated by dividing the number of employee respondents indicating that TIGTA provides a positive work environment by the total number of employee respondents. Employee surveys will be conducted once each fiscal year and all TIGTA employees will be provided the opportunity to participate in the survey.

Office of the Comptroller of the Currency Performance Goal: *Decide whether to change the existing compensation system and ensure a smooth implementation/ transition for any changes made; Enhance ways of delivering effective training opportunities that improve skill levels for OCC staff*

Performance Measure: Conduct Two Surveys of Business Supervision Operations (BSOP) Employees Where Results Indicate Increased Employee Satisfaction Levels

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
--	--	2.58	>2.58	2.51

Explanation of Measure: Business Supervision Operations (BSOP) conducted a baseline survey in 1999. Two surveys were conducted in 2000 to gauge changes in employee satisfaction.

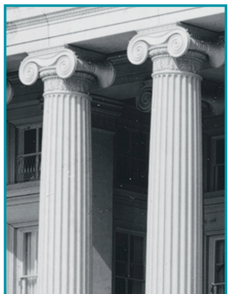
Explanation of Shortfall: The average aggregate response for the 5/99 survey was 2.58 on a scale from 1 to 4, where 1 is the lowest rating and 4 is the highest rating. The average aggregate response for the 7/00 survey was 2.51, again on a scale from 1 to 4, where 1 is the lowest and 4 is the highest. Employee satisfaction decreased slightly as a result of identified areas of employee concern. The OCC formed Task Force teams which focused on these concerns and developed action plans to address the issues. The action plans were communicated to employees and implemented during 2000 and carried forward through 2001.

Office of Thrift Supervision Performance Goal: *Develop and maintain an OTS workforce capable of providing assistance to thrift institutions in meeting the thrifts' regulatory responsibilities*

Performance Measure: Percentage of Regulatory Staff Receiving at Least 30 Hours of Training Designed to Keep Them Current in Regulatory Issues and Industry Developments

CY 1997 Performance	CY 1998 Performance	CY 1999 Performance	CY 2000	
			Target	Performance
--	--	--	60%	**69%**

Explanation of Measure: OTS management is committed to maintaining a high degree of competence and skill for OTS employees. All OTS staff complete an Individual Development Plan each year. This plan includes detailed activities that the employee will complete during the year in order to achieve identified developmental objectives. Formal courses are a primary method of achieving these objectives. Mentoring, cross-training, assignments to other offices or departments, research, reading, and self-study programs are other examples of OTS's broad approach to employee development.



PART V

APPENDICES

Appendix A: Major Management Challenges and High-Risk Areas

The following table summarizes the major management challenges and high-risk areas facing the Department of Treasury and its bureaus as identified by the sources listed below. Included in the table are actions taken by the respective bureau during FY 2000 to address the particular challenge.

Sources:

General Accounting Office (GAO): "Major Management Challenges and Program Risks: Department of the Treasury," GAO-01-254, January 2001.

Office of the Inspector General (OIG): Letter to the Honorable Richard K. Armey from Treasury Inspector General Jeffrey Rush, Jr., December 1, 2000.

Treasury Inspector General for Tax Administration (TIGTA): Letter to the Honorable Richard K. Armey from Treasury Inspector General for Tax Administration David C. Williams, December 1, 2000.

Management Challenge	FY 2000 Actions
Information Security (GAO, OIG and TIGTA) Treasury needs to improve the security of its information technology to protect information and data from physical and electronic threats.	**Implementation of Presidential Decision Directive 63**: Presidential Decision Directive 63 requires that Federal departments and agencies establish and implement a program to protect their critical infrastructure. Treasury bureaus identified information technology assets relevant to Critical Infrastructure Protection (CIP) during FY 2000. The final report from the National Chief Information Assurance Office to Treasury revealed a total of 40 assets of CIP concern. All of these 40 assets have either been scheduled for or have had a vulnerability assessment completed. In addition, all bureaus have a computer security incident response capability. Four bureaus have a formal capability while the remaining bureaus have informal incident response teams that form for the duration of incident handling. All bureaus receive Federal Critical Infrastructure Reporting Center and National Infrastructure Protection Center alerts and advisories, and apply patches, service packs, and other fixes as applicable. **U.S. Customs Service continuity of operations and unauthorized Internet access:** Customs is currently evaluating commercial disaster recovery sites and plans to have a contract for continuity of operations service let by the end of FY 2001. Customs has implemented CISCO PIX firewalls to secure Internet connections. Customs is pursuing commercial systems options to provide back up capability and is working with the Administration to ensure a stable funding stream. The agency is also updating its Business Impact Analysis. In addition, Customs security efforts have been boosted by the infusion of new leadership, contractor support through the GSA SAFEGUARD program, and a significant increase in resources.
Information Technology Investment Management (OIG) Improvements are needed in capital planning, investment controls, project management, systems development, and performance measurement of IT investments.	**Implementing Information Technology Management Reform Act:** Treasury's Capital Investment Review Board (CIRB) is giving full-time attention to an expanded selection of enterprise-wide and bureau capital (IT and non-IT) investment projects. Additional structure criteria – selection and monitoring processes, assessment criteria, and a business case template have been added to the review process. Treasury implemented use of the Information Technology Investment Portfolio System (I-TIPS) across the Department and the bureaus as part of their Capital Planning activities. All bureaus used I-TIPS as part of the FY 2002 budget process and was also used it to electronically submit required reports to Office of Management and Budget (OMB). By re-designing its investment management process and aiding that new process with automated tools like I-TIPS, Treasury is achieving the purposes of effective investment management: align investments with the Treasury business missions, develop a repeatable investment management process, and manage initiatives. While the Department did not specify a dollar threshold for investment management activities and documentation, the number of "major" initiatives in the Department significantly increased in FY 2000. "Major" initiatives require expanded documentation and justification via an OMB 300B, as well as expanded selection and monitoring activities by the bureau investment review boards. **Measuring progress in the management of capital investments:** The measure "Percentage of new IT capital investments that are within costs, on schedule, and meeting performance targets" was established in the Departmental Offices FY 2000 Performance Plan. However, while all Treasury bureaus entered FY 2002 IT budget initiative data into I-TIPS, most of the initiatives did not provide cost, schedule and performance data that would enable the Department to determine the percentage of initiatives that are within costs, on schedule and meeting performance targets. As a result, there are not sufficient data to determine this performance measure. As part of the FY02 budget process, bureaus are required to provide this data for new initiatives. As a result, the Department will be able to address this concern in 2001.

Management Challenge	FY 2000 Actions
Money Laundering/Bank Secrecy (OIG) Treasury needs to continue to combat money laundering worldwide through enhanced law enforcement, improved banking supervision, and international cooperation.	**Implementation of the National Money Laundering Strategy:** During FY 2000, Treasury contributed directly to the attainment of several prominent goals of the National Money Laundering Strategy (NMLS). Among these, of chief significance was the publication in June by the Financial Action Task Force of a list of 15 jurisdictions with serious deficiencies in their anti-money laundering regimes. Shortly thereafter, Treasury's Financial Crimes Enforcement Network issued advisories to U.S. banks urging additional scrutiny of transactions involving these countries. In support of other important NMLS goals, Treasury's Office of Enforcement moved forward work on rules for suspicious activity reporting for non-depository financial institutions, issued guidance to banks on certain high risk accounts, identified the first four High Intensity Financial Crime Areas, commenced the Financial Crime-Free Communities Support Program, advanced inter-agency efforts against the Black Market Peso Exchange and proposed legislation that would have given the Secretary of the Treasury a wider range of options to take actions against jurisdictions, foreign financial institutions or types of transactions posing particular money laundering threats to the U.S. The Department has determined that the optimum way to measure the cost of money laundering is through a survey of undercover operations. However, such a survey has not yet been feasible because of the nature of such operations and a desire to await findings of Treasury's project to estimate the magnitude of money laundering. The Department, through its Financial Crimes Enforcement Network, awarded a contract in August 2000 to develop a methodology for estimating the magnitude of money laundering. This project is proceeding in two phases: Phase I, estimated to last about nine months, will identify key sources of data, collect and evaluate them, and develop a methodology to estimate the magnitude of money laundering. Phase II, estimated to last another nine months, will test the data quality, sample case files, implement the model and report findings, and include a plan for improving currently reported data.

Management Challenge	FY 2000 Actions
Regulation of Commercial Trade and Trade Enforcement (GAO and OIG) Effective enforcement of trade laws is an ongoing management challenge. The automated system Customs uses to process merchandise is outdated and unable to keep up with trade demands. Illicit drugs continue to be imported into the United States despite years of concerted effort by the Federal government to prevent smuggling.	**Implementing the Automated Commercial Environment (ACE):** Customs is pursuing commercial systems options to provide back-up capability and is working with the Administration to ensure a stable funding stream. The agency is also updating its Business Impact Analysis. Customs security efforts have been boosted by the infusion of new leadership, contractor support through the GSA SAFEGUARD program, and a significant increase in resources. Steady progress to resolve previously identified audit recommendations continue. **Evaluating the effectiveness of the informed compliance strategy**: Customs is undertaking a review of the agency's trade strategy in an effort to evaluate its impact on compliance. This review will include a number of trade programs such as compliance measurement, account management, and Customs strategic goals. The evaluation is currently still underway. **Balancing travelers' rights with the need to interdict contraband, including the collection of more accurate data on the results of searches and trends in targeting effectiveness:** Customs has dramatically increased the targeting effectiveness of personal search activity by increasing management oversight, emphasizing the collection and use of data, and improving training and standard procedures. **Implementing the resource allocation model:** The Resource Allocation Model was used to determine staffing requirements for FY 2002 to meet increased workload. Requirements were reviewed by Treasury and OMB. **Improving export licensing procedures:** In partnership with the Departments of State and Justice, Customs is working to ensure that export enforcement capabilities are retained in the face of licensing streamlining efforts. **Implementing the *National Drug Control Strategy:*** To address the National Drug Control Strategy, Customs has undertaken a variety of efforts including using new technology which can scan trucks, containers and air passengers at high risk ports throughout the country; sharing intelligence with other agencies on smuggling methods; and participating in multi-agency interdiction operations. **Determining the level of illegal drug smuggling, or the percentage of total illegal drugs interdicted:** Customs is cooperating with the Office of National Drug Control Policy in their efforts to develop consistent, accurate statistics on drug interdiction.

Management Challenge	FY 2000 Actions
Revenue Protection by ATF and USCS (OIG) Stronger internal controls and systems improvements are needed at both ATF and USCS to increase revenue collected.	**Improving revenue protection:** The results of OIG's audit on ATF's controls over tax-free exports of distilled spirits found that controls could be improved by: 1) more thoroughly reviewing export evidence to support claims; 2) updating ATF export regulations to ensure distilleries submit proper evidence; and 3) conducting third party verifications of shipments. Controls relating to reviewing evidence and conducting third party verifications have been implemented. ATF is in the process of rewriting the exportation regulations with a target date of February 2002. The OIG audit on ATF's inspection strategy for firearms and ammunition found that ATF needed to implement inspection program and track field tax assessments. In FY 2000, ATF implemented an inspection-targeting program that identifies at-risk taxpayers for inspection. ATF is in the process of making computer enhancements that will include tracking field assessments by category. These system enhancements are anticipated to be completed by October 1, 2002. ATF contracted for a study of the system that has been completed and has dedicated $1.8 million for the next phase of the integration. ATF estimates an additional $4 million will be needed to complete the integration. Customs has implemented an agency-wide self-inspection program to increase management oversight of internal controls. **Progress in minimizing non-compliant filings of consumption entries ($252 million in FY 1999 and an estimated $280 million in FY 2000):** By using risk management techniques and compliance measurement, Customs is concentrating its resources on identifying and combating non-compliant trade.

Management Challenge	FY 2000 Actions
Violent Crime/Gun Control (OIG and GAO) Violent crime remains a serious problem in the United States, and measuring Treasury's impact remains a challenge.	**Trends in violent crime:** Violent crime, as a whole, has been widely considered to be on a downward trend over the last few years, according to the FBI's Uniform Crime Report. ATF has focused on several areas of crime as they relate to the criminal use of firearms that remain at unacceptable levels. **Progress / challenges to measuring "criminal access to firearms":** The ATF annual publication <u>Crime Gun Trace Reports</u> has taken the analysis of the Bureau's firearms tracing information to a new level, particularly in the cities which participate in the Youth Crime Gun Interdiction Initiative (YCGII), as it provides the most complete picture of the illegal firearms market for that community. ATF was also able to provide in the most recent report, a new look at the local, regional, and national aspects of the geographic source patterns of crime guns. Additionally, with the research led by ATF that was most recently published in <u>Following the Gun: Enforcing Federal Laws Against Firearms Traffickers</u>, ATF has been able to explicitly identify the channels by which firearms are illegally trafficked. This knowledge base will lead to increased competency in ATF's conduct of these investigations. **Impact of the Youth Crime Gun Interdiction Initiative:** In the early stages of the deployment of the YCGII, ATF received a thorough review of this initiative from the Treasury OIG. The recommendations concerning field deployment have resulted in a variety of plans being actively pursued to improve the performance measurement to gauge the success of this Initiative: Use of the YCGII Crime Gun Analysis data to measure changes as they occur in the incidence of possession among these age groups. Use of "time to crime" as a more prominent indicator. Continued active support of relevant research into firearms violence, specifically, an ATF partnership with National Institute of Justice to do a "demonstration project" based in a YCGII city.
Implementation of GPRA (OIG) Treasury faces a continuing challenge in collecting and managing reliable performance data. In order to accurately report financial data and evaluate program performance, better management of cost accounting is needed.	**Implementing a Performance Reporting System (PRS) throughout Treasury:** Treasury continued to enhance the usefulness and capability of the PRS an intranet based system that allows Treasury's bureaus to keep the Department apprised of their performance. All bureaus are currently using the PRS to enter their annual performance plans and progress made towards achieving their performance targets. The system allows the user to view performance data at a summary level, and to drill down to specific measures and explanations of performance shortfalls. Executive reports/graphics capabilities were significantly enhanced during FY 2000. **Implementing managerial cost accounting throughout Treasury:** The financial reporting committee of the Department's CFO Council was charged with developing a policy for the implementation of cost accounting across the Department. The committee developed a proposal for consideration by the full Council during FY 2000, and the Council requested that the proposal be revised based on Council discussions. Final Council approval of the cost accounting policy is expected early in 2001. The proposal will provide a solid basis for the accumulation of meaningful managerial cost data throughout the Department.

Management Challenge	FY 2000 Actions
Compliance with Federal Financial Management Improvement Act of 1996 (FFMIA) (GAO, OIG, and TIGTA) Treasury is not in substantial compliance with the requirements of FFMIA. Financial systems are not adequately integrated to support fiscal management of program delivery as well as budget execution functions and internal and external financial reporting requirements.	**Improving compliance with FFMIA:** Treasury bureaus that are not in substantial compliance with FFMIA have prepared remediation plans in accordance with the Act. The Department issued guidance to the bureaus on defining the roles and responsibilities in complying with the requirements of the Act. The Department met with OMB to review FFMIA issues, including obtaining waivers for the Customs Service and the Internal Revenue Service from the requirement to correct the non-compliances within 3 years of determination. All bureaus that are in substantial non-compliance are providing quarterly updates to their remediation plans. ***Customs:*** Customs is in the process of creating a fully integrated core financial system to address FFMIA concerns. Actual implementation will be dependent on the schedule of the Automated Commercial Environment. Customs is also working to ensure that systems development and security reflect current government-wide systems requirements. ***IRS:*** IRS did not directly address FMFIA. IRS addressed financial management as their "Modernization Issue C: "Correct ongoing financial management weaknesses." During FY 2000, actions included: • Conducting on-site inspection and verification of ADP inventory; • Training local office staffs to ensure accuracy of property and equipment records; • Replacing current ADP property inventory system with modernized version; and, • Installing an integrated financial system that will include recording property and equipment and capital leases as assets when purchased, will generate records for tracking inventory, will include appropriate subsidiary records and will support cost accounting. ***Secret Service:*** Secret Service's Seized Asset System does not conform to FMFIA requirements. In addition, the Property Accounting System contains a material weakness related to Section 2 (Internal Control) of FMFIA. The Secret Service continues to make progress towards the completion of the corrective actions necessary to ensure compliance. Validation of the corrective actions that have been accomplished for the Seized Asset System is ongoing and expected to be completed by June 30, 2001. The reorganization and training of personnel to research and reconcile property accounting system transactions to the general ledger is scheduled for completion by the end of March 2001 with a validation scheduled to be completed by June 30, 2001.
Safety and Soundness of the Banking Industry (OIG) In fulfilling its regulator role, OCC needs to monitor developments in the National Banking System, analyze trends, and assess systemic risks to identify events that could affect the soundness of the system	**Improving the safety and soundness of the banking industry:** The core process program at OCC to address systemic risks and marketplace trends consists of ongoing activities that identify, analyze and respond to emerging systemic risks and market trends that could impact the safety and soundness of national banks; the national banking system or groups of national banks; the financial services industry; or the economic and regulatory environment in which banks operate. During 2000 OCC produced annual underwriting survey analysis that identified asset quality deterioration, piloted the "early warning system" for bank failure potential, and made early warning reports for liquidity, IRR and credit available to examiners via the web to facilitate more rapid response.

Management Challenge	FY 2000 Actions
Internal Revenue Service Modernization (GAO and TIGTA) **Issue: The Internal Revenue Service's operations are facing various issues and challenges in transitioning to its new structure.** IRS has developed and is committed to an integrated modernization strategy. It has implemented a new organizational structure and has made progress in establishing management controls needed to effectively build and implement modern information systems. Substantial work remains for IRS' modernization before expected results are achieved.	IRS completed key transition activities related to the new organization within IRS including: selection of Division Commissioners for all Divisions; completed vacancy announcement process and selection of key top and mid level managers within each Division; completed formal standup of new Divisions. In addition, among other decisions, IRS continued improvement processes related to the Modernization Management oversight structure, Taxpayer Advocate Service, and IRS's Stakeholder Relationship Management.
Internal Revenue Service Modernization (GAO and TIGTA) **Issue: Balanced Measurement System**	IRS developed a new strategic planning and budget process. This new approach will link strategy, planning, budgeting, and research and support senior management in establishing and communicating the strategic direction of the Service. In addition, IRS: • Developed balanced measures and data reporting at the strategic level to be used in assessing the IRS' overall performance in delivering on its mission and strategic goals; (Includes measures such as voluntary compliance, burden, overall productivity, overall customer satisfaction, etc.); • Developed operational level balanced performance measures for all operating and functional divisions; and, • Provided balanced measurement training to all managers, stewards, Partnership Councils, and staff.

Management Challenge	FY 2000 Actions
Financial Management Affecting Treasury's Role as Fiscal Agent (GAO) Improvements are needed in collecting delinquent debt owed to the Government, computer security controls, and preparing reliable U. S. financial statements.	**Comprehensive review of cross-servicing:** The Financial Management Service (FMS) is developing a report to analyze types of debt and collection rates, and has revised standard operating procedures for FMS collectors. In addition, FMS has established procedures for reviewing collectors' work lists and assessing their performance. All Private Collection Agencies activity is monitored frequently, and FMS conducts annual and *ad hoc* on-site compliance reviews on each contractor. A mechanism for assessing compliance enforcement procedures has been put in place. In addition, FMS reviews cross-servicing costs and fee structures annually. **Audit guidance and referral monitoring:** FMS is preparing a request to OMB asking that OMB work with FMS and the Federal Credit Policy Working Group to develop audit guidance to include Treasury Report on Receivables data, and to work with agency IGs on procedures to monitor debt referrals. Procedures for obtaining, reviewing, and monitoring written referral plans have been established and implemented. **Distribution of debts to Private Collection Agencies (PCAs):** A PCA Conference was held in June 2000, and comments were solicited from PCAs on what changes they wanted in the new PCA contract, including how debts are distributed. FMS has shared feedback from the conference survey results with PCAs, has completed an analysis, and has developed draft requirements for adjusting debt distribution procedures. In addition, a draft Statement of Work for the new PCA contract has been sent to the PCAs for their review, and FMS has added language to the new PCA contract to permit changes to the debt distribution process. And FMS is currently developing a methodology to periodically evaluate the distribution process. **Computer security/control weaknesses:** FMS completed 84 (89%) of the corrective actions identified in GAO's FY 1998 audit. GAO's FY 1999 audit validated the completion of 52 corrective actions (55%) and identified 19 new findings. Compared to 94 new findings in the previous year, this was a significant improvement. FMS also meets monthly with GAO to discuss corrective actions and management of risk. In FY 1999, FMS established remediation plans addressing system weaknesses. FMS is revising and enhancing these plans. In FY 2000, FMS completed their development and issued entity-wide security policies and procedures. Currently, FMS is ensuring their full implementation. **Improve the quality of the Government's financial statement:** A number of initiatives took place during FY 2000: • FMS consistently published the Daily Treasury Statement on schedule, meeting its established performance target. This statement reflects the cash transactions, holdings, loans, debts, etc. of the Federal Government. • The Government-wide Accounting (GWA) Project is re-examining FMS' existing processes for collecting budget execution data Government-wide and reporting of the Government's budget surplus/deficit. This long-term project, which is expected to make fundamental changes, will produce more timely, accurate, and reliable financial reports, while at the same time, reduce the reporting and reconciliation burdens on program agencies. Already, short-term enhancements to FMS legacy systems have significantly improved the reliability and timeliness of budget execution data reported to program agencies.

Management Challenge	FY 2000 Actions
	• FMS continued to work with Federal agencies to help them adopt uniform accounting and reporting standards and systems. • To facilitate preparation of the consolidated Financial Report of the U.S., FMS is working with the Chief Financial Officers' Council to build an Internet tool that will help agencies identify and reconcile differences between Federal Government entities and agencies' adjustments. FMS is also working with OMB to develop additional processes, procedures, and guidelines that will enable program agencies to identify their trading partners and eliminated differences for certain other classes of intergovernmental transactions. These improvements will enable the Government to more accurately determine its net financial position. • FMS received an unqualified audit opinion of its statement of the Government's cash position for FY 2000. This is the fourth consecutive year FMS received a "clean opinion." • Since 1997, the Bureau of the Public Debt has consistently received unqualified opinions by outside auditors for annual financial statements representing nearly $6 trillion in Federal Debt, Loans Receivable, Federal Investments and Managed Trust Funds

Management Challenge	FY 2000 Actions and Related Performance Measures
Processing Returns and Implementing Tax Law Changes During the Tax Filing Season (TIGTA) Implementation of computer programming changes, reduction of tax form complexity and taxpayer burden, and other related issues remain a challenge for the IRS.	In FY 2000, IRS completed all actions in the Filing Season Readiness 2000 Action Plan. In addition, IRS: • Completed all required actions related to Customer Service/Submission Processing reorganization. • Developed and disseminated a Service-wide strategy for handling walk-in taxpayers. • Included two return labels in the 1040 tax packages to identify either remit or non-remit return to help increase check identification, reduce mail sorting at the service centers and improve processing efficiency. • Developed contingency plans for new processes/legislation. • Ensured programming, employee training, internal and external communications, taxpayer guidance/information, and appropriate forms/instructions and publications were completed for new legislative provisions. • Continued to expand and promote the use of the Internet to meet taxpayer needs, supplementing the forms and publications available with timely tax information • Redesigned and simplified Publication 596, Earned Income Credit (EIC), Schedule EIC and EIC-related parts of Form 1040 and 1040 instructions, to reduce the EITC error rate. • Conducted review of new legislation statutory termination dates to determine if provision(s) have been renewed and determined when implementation actions need to be continued. IRS is still considering ways to best measure taxpayer burden.
Providing Quality Customer Service Operations (TIGTA) IRS's quality of toll-free service is declining. The challenge to provide quality customer service will continue.	Although the quality of toll-free service declined in FY 2000, the level of service was improved to 62% during the 1999-filing season. To address customer service needs, IRS: • Reassigned the Innocent Spouse program to the Wage and Investment Division to increase customer service and efficiency; • Continued providing 7x24, 7 day a week telephone services for 2000 filing season; • Expanded Alternative Language Services identified sites to specialize in providing Spanish language service; • Implemented a network prompt that offers taxpayers a Spanish language option to be routed to the designated site(s); • Provided voice enabling service to provide increased automated service to refund callers through the TELETAX system;; • Customer Account Services group completed a Skills Assessment on current Toll-free/Adjustments workforce to determine skill gaps and develop training plans for planned workload migration; • Improved SERP delivery with added features and improved usability for assistors; and, • Developed new balanced measure for FY 2001 that will determine the contact quality (impact of errors onto the customer).

Management Challenge	FY 2000 Actions and Related Performance Measures
Taxpayer Protection and Rights (TIGTA) Compliance with taxpayer rights requirements of the IRS Restructuring and Reform Act of 1998 remains a challenge.	IRS established the new Taxpayer Advocate Service (TAS); hired and provided initial training to the TAS staff; implemented balanced measures of organizational performance; began building collaborative relationships with other newly modernized components of the IRS to provide the best possible customer service to taxpayers. IRS also: • Implemented a systemic change to prevent future tax refund offsets from occurring while innocent spouse claims are considered. • Conducted briefings (sponsored by TIGTA) to help address employee concerns regarding investigations related to Section 1203 of RRA 98. • Implemented system block to prevent processing of levy requests when Collection Due Process (CDP) rights have been given. • Included potential third-party notification stuffer in Notices of Intent to Levy. • Issued CDP notification on new delinquent account receipts when enforcement action is imminent. • Improved compliance with legal and internal guidelines for notifying taxpayers of their appeal rights before issuing levies.
Implementation of the Government Performance and Results Act of 1993 by IRS (TIGTA) IRS needs to improve their performance measures and data quality.	IRS developed new strategic planning and budget processes. Their new approach will link strategy, planning, budgeting, and research and support senior management in establishing and communicating the strategic direction of the Service. IRS also: • Developed balanced measures at the strategic level to be used in assessing the IRS' overall performance in delivering on its mission and strategic goals (includes measures such as voluntary compliance, burden, overall productivity, overall customer satisfaction, etc.). • Implemented development of data reporting for the Service-wide Strategic Measures. • Developed operational level balanced performance measures for all operating and functional divisions. • Began alignment of the IRS Performance Management System (Appraisals) for individuals with the IRS Mission, Strategic Goals, and Balanced Measures approach.
Impact of the Global Economy on Tax Administration (TIGTA) Internal control and systemic weaknesses in the IRS' Administration of international programs remain a challenge.	IRS directed the U.S. hosting of Center for Inter-American Taxation (CIAT) General Assembly which brought together over 200 Senior Tax Officials from more than 33 Countries (the Treasury Secretary and IRS Commissioner were keynote speakers). In addition: • IRS Deputy Commissioner was elected as President of CIAT Executive Council. • IRS initiated and Chaired Organization of Economic Cooperation Development meeting of Senior Tax Officials from 15 countries in Copenhagen to discuss Best Practices relative to the Electronic Filing of Tax Returns. • IRS delivered presentations on the Globalization Strategic Initiative at 19 External Town Hall meetings. • IRS developed OECD website including U.S. funding of Spanish language capability (well regarded by critical Spanish-speaking countries).

High-Risk Area	FY 2000 Actions
Internal Revenue Service Modernization (GAO and TIGTA) **Issue: Correct ongoing financial management weaknesses**	As an overall indicator of progress, IRS expects to receive an unqualified audit opinion on its FY 2000 financial statement. In addition, IRS has: • Conducted on-site inspection and verification of its ADP inventory. • Reviewed lease documents to correctly present capital lease balances in FY 2000 financial statements. • Deployed teams to train local office staffs to ensure accuracy of property and equipment records. • Staffed local offices to ensure accuracy of property and equipment records. • Replaced its previous ADP property inventory system with a modernized version. • Studied desirability of implementing interim cost accounting system pending acquisition/implementation of replacement financial system. • Acquired/installed an integrated financial system that will include recording property and equipment and capital leases as assets when purchased, will generate records for tracking inventory, will include appropriate subsidiary records and will support cost accounting.
Internal Revenue Service Modernization (GAO and TIGTA) **Issue: Implement effective systems modernization management controls and establish a stable program management organization for the IRS' systems modernization efforts.**	IRS has built a Business Systems Modernization Program management team that includes three executives with a lifetime of experience in the private sector and key internal executives with many years of experience in tax systems and tax administration. In addition, IRS has: • Strengthened the PRIME Alliance program management team by adding a second experienced program manager and a system architect; adopted the proven Catalyst methodology from the PRIME as the basis for all work and conducted intensive training for IRS and PRIME personnel; clarified roles and responsibilities within the Business Systems Modernization Office and the PRIME. • Trained IRS and contractor personnel in performance based contractor methodology and formally completed all active task orders contracts; implemented regular Program Management Reviews to review technical specifications, cost, and schedule for each project • Developed and now maintain an Integrated Master Schedule which identifies how different projects relate to and depend on each other; established a Management Information Center for centralized status reporting for the business systems modernization program; clarified roles and responsibilities for program and project level risk management between the PRIME Alliance and BSMO; established a Quality Assurance organization within BSMO. • Incorporated investment decision into the enterprise life cycle.

High-Risk Area	FY 2000 Actions
Internal Revenue Service Modernization (GAO and TIGTA) **Issue: Improve collection of unpaid taxes**	IRS established a multi-functional Compliance Council to ensure a strategic, coordinated approach to compliance issues, programs and systems throughout pre-filing, filing, and post-filing efforts; ensuring cross-cutting/national compliance issues are resolved with multiple compliance solutions. IRS also: • Completed the redesign and rewrite of the former Collection Internal Revenue Manual for content and delivery for a web-based environment. • Convened a task force to review consolidation of Offer-In-Compromise inventory and specialist positions into two service centers effective 8/01. • Improved compliance with legal and internal guidelines for notifying taxpayers of their appeal rights before issuing levies.
Treasury's asset forfeiture program (GAO) The Asset Forfeiture Program faces inadequate information systems and financial management weaknesses, including problems with accountability over seized assets.	Customs is finalizing user requirements and exploring funding options to complete resolution of all recommendations made to improve SEACATS. If funding is available, resolution will by complete in FY 2002.
Improving Earned Income Credit Compliance (GAO and TIGTA) IRS needs to continue efforts to minimize filing fraud, especially in the Earned Income Credit program.	IRS Initiated a Request for Information Services for Electronic Fraud Detection System (EFDS) that provides for inclusion of selected Business Master File extract-data and integration into the enhanced EFDS system. This data will permit research analysis and evaluation for potential fraud detection scenarios of business returns. IRS also: • Enhanced and expanded training of Fraud Detection techniques. Trained the Investigative Analysts in data-driven methods of fraud detection and criminal referral identification. Performed a proof of concept using data mining to test the potential of its use in refund fraud detection. • Partnered with the Department of Health and Human Services and the Social Security Administration to provide a more efficient means of protecting revenue and minimizing filing fraud. • Significantly reduced invalid claims though denial of Earned Income Tax Credit (EITC) claims on initial filing when a taxpayer's EITC claim was denied the previous year and the taxpayer did not follow the re-certification requirements. • Redesigned and simplified Publication 596, Earned Income Credit (EIC), Schedule EIC, and EIC related parts of Form 1040 and 1040 instructions, to reduce the EITC error rate. • Implement the EITC Return Preparer Strategy, focusing on education and outreach visits to EITC return preparers. Included a component covering tax filing noncompliance and fraudulent activity. • Developed and implemented the private sector fraud control requirements for Electronic Filing participants, e.g., Electronic Return Originators, software developers, and transmitters. • Completed scheduled actions identified to reduce issuance of erroneous refunds. • Implemented FY 2000 EITC Return Preparer Strategy, focusing on education and outreach visits. This effort will include a component covering tax filing noncompliance and fraudulent activity.

Appendix B: Explanation of Graphs and Data Sources

Fig.	Title	Explanation / Source
1	**Federal Debt Held by the Public**	**Explanation:** Graph depicts the projected trend in Federal debt at the end of year held by the public. **Source:** 1995 to 1999 data from "Historical Tables", Budget of the United States Government, Fiscal Year 2001, Table 7.1 - Federal Debt at the End of Year 1940-2005, page 111 http://w3.access.gpo.gov/usbudget/fy2001/pdf/hist.pdf 2000 to 2005 data from Table 23 "Federal Government Financing and Debt" OMB Sequestration Update to the President and Congress for fiscal year 2001. http://w3.access.gpo.gov/usbudget/fy2002/pdf/finalseq.pdf
2	**Social Security Trust Funds**	**Explanation:** Estimated assets of the combined OASI and DI Trust Funds in current dollars (intermediate assumptions). Estimates for later years are not shown because the combined OASI and DI Trust Funds are estimated to become exhausted in 2034 under the intermediate assumptions. **Source:** The 2001 Annual Report of the Board of Trustees of the Federal Old Age and Survivors Insurance and Disability Insurance (OASDI) Trustees Funds, Table VI.E.9
3	**Personal Saving Rate**	**Explanation:** The personal savings rate is measured by the difference between disposable income and consumer outlays, as a percentage of disposable income. **Source:** U.S. Department of the Treasury, Office of Economic Policy
4	**U.S. Pension Plan Participation**	**Explanation:** Defined benefit plans are traditional employer provided pension plans. In defined contribution plans employees contribute a portion of earnings to the plan and have choices in investment management. **Source:** Estimated Private Wage and Salary Worker Participation rates Under Primary and Supplemental Pension Plan, 1998-1999; Office of Policy and Research, Pension and Welfare Benefits Administration, U.S. Department of Labor
5	**Economic Conditions in Developing and Transitional Nations**	**Explanation:** Represents the percent change from the previous calendar year in Gross Domestic Product (GDP) of developing and transitional countries. **Source:** World Economic Outlook Report. International Monetary Fund

Fig.	Title	Explanation / Source
6	**Unmet U.S. Commitments (Arrears) to Multilateral Development Banks**	**Explanation:** Shows the remaining unpaid commitments or overdue amounts the U.S. owes the Multilateral Development Banks, such as the World Bank. **Source:** Office of the Under Secretary for International Affairs, U.S. Department of the Treasury
7	**Real Global GDP Growth**	**Explanation:** Represents world economic growth measured by the percent change from the previous calendar year in global Gross Domestic Product (GDP). **Source**: World Economic Outlook Report, International Monetary Fund
8	**Value of U. S. Exports**	**Explanation:** The figure represents the total amount of goods and services imported and exported, into and out of the United States. **Source:** Office of Trade and Economic Analysis, International Trade Administration, U.S. Department of Commerce. Compiled from official statistics of the U.S. Department of Commerce
9	**Compliance Rates**	**Explanation:** Data represents the U.S. Customs Service estimated rate of compliance with U.S. trade laws for goods (merchandise) imported into the U.S. These estimates are based on intensive examination of random samples of merchandise entering the U.S. **Source:** The Compliance Measurement (CM) is a statistical survey of import transactions designed to collect objective compliance and related information. For each fiscal year, a stratified random sample of import transactions is taken from the universe of all import transactions to the United States. The CM universe consists of two separate segments of import transactions: those transactions submitted to Customs through the Automated Commercial System (ACS) and those transactions submitted through Line Release.
10	**U.S. Direct Investment Abroad and Foreign Investments in U.S.**	**Explanation:** Direct investments, rather than portfolio or stock investments, are those in which an individual or business buys or holds over 10 percent of the equity in a firm. **Source:** Bureau of Economic Analysis, U.S. Department of Commerce
11	**U.S. Customs Revenue Compliance Rate**	**Explanation:** The percent of the total import revenue due to Customs that is actually collected. **Source:** The Total Net Underpayment (i.e., Revenue Gap) was estimated from a compliance measurement sample based on the information on changes in duty, fee, and tax payments collected during CM examinations and reviews. The Customs operation provides Total Payment of duties, fees and taxes for Consumption entries. The Revenue Collection Compliance Rate was calculated in terms of the Total Net Underpayment as percentage of the Sum of Total Payment and Total Net Underpayment.

Fig.	Title	Explanation / Source
12	**Federal Non-Tax Delinquent Debt**	**Explanation:** This chart is a reflection of the total debt each fiscal year that is delinquent (over 180 days old) and the total delinquent non-tax debt that accumulates after collections. This information is gathered from Federal agencies that refer this debt to Treasury for collection. **Source:** The DCIA Performance Summary Report, published monthly. These data are gathered from FMS' many accounting systems that serve to show the ways that FMS collects delinquent debt. This information is managed by the FMS Debt Management Center in Birmingham, AL. Also, creditor agency reports (Federal agencies who refer delinquent debt) showing the amount of delinquent debt that is eligible for collection. These reports from agencies are published in the "Treasury Report on Receivables" from the Alabama Center. The information is usually found publicly in the "Federal Financial Management Status Report and Five-Year Plan," although the FY 1999 data was not included in the FY 2000 report.
13	**Payments by Check and EFT**	**Explanation:** This chart shows the trends in Electronic Funds Transfer (EFT) payments and check payments over the past several years. **Source:** Financial Management Service's Production Reporting System (PRS) captures this data. Treasury's Performance Reporting System (PRS) also contains these data
14	**Audit Opinions of CFO Act Agencies**	**Explanation:** This chart shows improvement of audited financial statements for the 24 CFO Act agencies over the past few years. Three areas of the audit are depicted: timeliness, clean audits, and number of disclaimers. **Source:** "Financial Report of the United States Government," published by Treasury's Financial Management Service
15	**Federal Trust and Investment Fund Percentages (by dollar)**	**Explanation:** The chart shows the percentages of the total dollars of Federal investment funds that are held by the major categories of trust funds. **Source:** Outstanding amounts of Investment Funds are reported in Table III (Detail of Treasury Securities Outstanding) of the Monthly Statement of the Public Debt (statement dated January 2001 used)
16	**BEP Productivity**	**Explanation:** The productivity index measures operational output as compared to personnel resource input, to arrive at the number of units produced per workyear. The number of units produced per workyear is compared to the previous year. The change (increase/decrease) in productivity from the prior year is expressed as a percentage. **Source:** Production output data is collected through BEP's product accountability system. Work-year data is collected from payroll reports generated by the Department of Agriculture's National Finance Center. Productivity measures are also reported in BEP's CFO Annual Report. The data for this measure are also reported in Treasury's PRS.

Fig.	Title	Explanation / Source
17	**U.S. Mint Productivity**	**Explanation:** Productivity is measured as number of clad coins produced per payroll dollar. **Source:** U.S. Mint internal accounting records. Production and payroll reports are maintained on file at the U.S. Mint (internal use only)
18	**Counterfeit Dollars in Circulation**	**Explanation:** Figure shows the proportion of counterfeit currency relative to the amount of genuine U.S. Currency in circulation. *Counterfeit Passed per Million Dollars of Genuine U.S. Currency* is calculated by dividing the dollar value of counterfeit notes passed on the public by the dollar value of genuine currency in circulation, multiplied by $1 million. **Source:** Estimate of actual legitimate currency in circulation obtained from <u>U.S. Currency and Coins Outstanding and in Circulation Report</u> provided on monthly basis from the Financial Management Service. Counterfeit dollars in circulation derived from notes passed on the public and obtained during the conduct of an investigation as well as notes identified by the Federal Reserve.
19	**Value of Monetary Instruments Seized by Customs**	**Explanation:** Value of all forms of monetary instruments seized within the territorial jurisdiction of the United States by or with the participation of Customs officers. **Source:** This data is captured directly from automated on-line reports in the Treasury Enforcement Communications Systems (TECS). These reports are compiled on the basis of seizure information entered into TECS. The seizure reports are completed by Customs officers and reviewed/approved by their supervisors. Periodically, seizure data is reviewed by Customs analysts for anomalies.
20	**Percentage of U.S. Population Using Illegal Drugs**	**Explanation:** Any illicit drug use indicates use, at least once, of marijuana/hashish, cocaine (including crack), inhalants, hallucinogens (including PCP and LSD), heroin, or any prescription-type psychotherapeutic used non-medically. **Source:** 1999 National Household Survey on Drug Abuse. (A survey on illicit drug use.) Substance Abuse and Mental Health Services Administration, U.S. Department of Health and Human Services.

Fig.	Title	Explanation / Source
21	**Customs Targeting Efficiency**	**Explanation:** An estimate of how efficiently Customs selects air passengers and vehicles for inspection. A comparison of the number of violations found during targeted selective examinations to a random sample. **Source:** This measure is collected as part of the Compliance Measurement program that is based on a statistically valid examination of a random sample of air passengers and vehicles. Category 1 and Category 2 violations are recorded in the Treasury Enforcement Communications System (TECS) database and collected at the time of input of seizure and arrest reports. This information compared to the detection of violations as a result of random selection measures the targeting efficiency. The data elements are collected through the TECS, Advance Passenger Information System (APIS) and the Measurement Data Entry System and they are presented in the Operation Management Report Data Warehouse.
22	**Convictions Against Members of Drug Smuggling Organizations**	**Explanation:** Actual convictions against members of drug smuggling organizations. **Source:** Organized Crime Drug Enforcement Executive Office, Criminal Division, U.S. Department of Justice
23	**Violent Crimes Committed in U.S.**	**Explanation:** For the report, violent crime is defined as murder and non-negligent manslaughter, forcible rape, robbery and aggravated assault. **Source:** 1999 Uniform Crime Report. Federal Bureau of Investigation, U.S. Department of Justice
24	**Crimes Committed with Firearms in U.S.**	**Explanation:** This reports the number of murders, robberies, and aggravated assaults in which firearms were used. **Source:** Bureau of Justice Statistics, U.S. Department of Justice
25	**Terrorist Incidents in U.S.**	**Explanation:** A terrorist incident is a violent act or an act dangerous to human life in violation of the criminal laws of the U.S. intended to intimidate or coerce a government, the civilian population, or any segment thereof. **Source:** Report on Terrorism in the United States. Counterterrorism Threat Assessment and Warning Unit, Counterterrorism Division, Federal Bureau of Investigations, U.S. Department of Justice

Fig.	Title	Explanation / Source
26	**Terrorist Incidents Prevented in U.S.**	**Explanation:** A terrorism prevention is a documented instance in which a violent act by a known or suspected terrorist group or individual with the means and a proven propensity for violence is successfully interdicted through investigative activity. **Source:** Report on Terrorism in the United States. Counterterrorism Threat Assessment and Warning Unit, Counterterrorism Division, Federal Bureau of Investigations, U.S. Department of Justice
27	**ATF Fire Investigations**	**Explanation:** This represents the number of fires that the Bureau of Alcohol, Tobacco and Firearms has been asked to investigate where evidence was found that suggests the fire was deliberately set. **Source:** The Arson and Explosives National Repository (AEXIS) provides statistical fire and explosive information based on data collected from the ATF, the Federal Bureau of Investigation, and the U.S. Fire Administration.
28	**ATF Response to Fatal Bombing Incidents**	**Explanation:** This represents the number of fatal bombing incidents reported and the ATF response rate to fatal bombing incidents. **Source:** The Arson and Explosives National Repository (AEXIS) provides statistical fire and explosive information based on data collected from the ATF, the Federal Bureau of Investigation, and the U.S. Fire Administration.
29	**Students Trained at the FLETC**	**Explanation:** The data is captured by the Student Information System, which is an automated registration system. **Source:** The Federal Law Enforcement Training Center
30	**New Hire Education Level**	**Explanation:** These data reflect, by fiscal year, the new hires across all Treasury bureaus that possessed at the time of hire at least one college degree at the bachelor's level or master's or above level, expressed as a percentage of all new hires. **Source:** Treasury Integrated Management Information System (Personnel Database)
31	**Losses of "Outstanding" Employees**	**Explanation:** These data reflect, by fiscal year, the losses across all Treasury bureaus of personnel that were rated as "outstanding" (or equivalent) for their last performance appraisal of record, expressed as a percentage of all losses. **Source:** Treasury Integrated Management Information System (Personnel Database)

Fig.	Title	Explanation / Source
32	**Minority Representation Treasury vs. Civilian Labor Force (1990)**	**Explanation:** This data presents the percentage of minorities (defined as Black, Hispanic, Asian American/Pacific Islander, American Indian/Alaskan Native) that are represented in the total Treasury workforce as compared to those represented in the total civilian workforce (from 1990 data). **Source:** Treasury data is compiled by the Treasury Integrated Management Information Systems office. Civilian workforce data is obtained from the Department of Labor, Bureau of Labor Statistics. The most recent civilian labor force data is based on the 1990 census.
33	**Minority Representation Total vs. GS 13/15 and SES**	**Explanation:** This data presents the percentage of minorities represented in the total Treasury workforce, represented in the total number of senior staff at GS-13-15 grades, and represented in the total number of Senior Executive Service personnel at Treasury. **Source:** Data is compiled by the Treasury Integrated Management Information Systems office
34	**Minority Representation Percent of Total vs. Promotion Rates**	**Explanation:** This data presents the promotion rate percentage for minorities at Treasury compared to the promotion rates of minorities at Treasury. **Source:** Treasury data is compiled by the Treasury Integrated Management Information Systems office
35	**Material Weaknesses Outstanding**	**Explanation:** These data reflect, by fiscal year and for all Treasury bureaus, the number of material weaknesses remaining to be corrected as of the end of the fiscal year. Material weaknesses are significant problems with an organization's systems' reliability; controls on waste, fraud or abuse; mission performance; and/or compliance with laws and regulations. **Source:** Treasury's Office of Accounting and Internal Control
36	**Competition in Contracting**	**Explanation:** It is Treasury policy that all supplies and services be acquired using full and open competition. Successful implementation of this policy is the shared responsibility of all involved in an acquisition action. The data reflects the amount of full and open competition received on Treasury actions as compared to the total procurement dollars spent. **Source:** Federal and Treasury Procurement Data Systems

Appendix C: Program Evaluations

Program evaluations can be categorized as:

- Impact/outcome evaluations which assess the manner and extent to which Federal programs achieve intended objectives.

- Process/efficiency evaluations which assess the extent to which a program is operating in a cost-effective manner and in conformance with statutory requirements and operating policies and procedures.

An example of an impact/outcome evaluations conducted in FY 2000 relates to:

- *Customs' Automated Commercial System (ACS) Cargo Selectivity:* The ACS Cargo Selectivity Program was created to facilitate the processing of legitimate cargo while attempting to stop fraud, narcotics smuggling, and the entrance of illegal cargo. A Treasury Office of Inspector General (OIG) audit found that trade has been facilitated by limiting cargo examinations to targeted shipments; however, selectivity has not been as successful in stopping the smuggling of narcotics.

  Specifically, ACS Cargo Selectivity’s effectiveness in targeting high-risk shipments for examinations could be improved by developing better targeting criteria. This could be accomplished by establishing local accountability for tasks such as developing and maintaining an up-to-date narcotics criteria database, obtaining and sharing proactive intelligence more freely among the Customs disciplines, and providing additional training in data analysis and research techniques for persons working with criteria. Also, targeting effectiveness was hindered by the practice of overriding examination criteria unnecessarily, which led to releasing a significant number of targeted shipments without examination. Although the OIG found no instance of fraud, this practice along with inadequate performance of cargo examinations and in accurate reporting of results, could mask lent activities. These conditions applied equally to the examination of hazardous material, where the OIG found examination teams in need of training and equipment in need of maintenance, repair, or replacement.

  Useful performance measures were needed to determine the exact cause for the low seizure rate when using ACS Cargo Selectivity criteria. Also, periodic management reviews did not provide sufficient coverage to identify operational weaknesses in the ACS Cargo Selectivity Program. For example, reviews did not cover controls over the use of examination overrides or the physical processing of cargo. Weaknesses in these areas can undermine the effectiveness of targeting efforts.

  The OIG made eight recommendations to improve the effectiveness of the ACS Cargo Selectivity Program. These included the development of narcotics examination criteria, the improvement of examination procedures, and the implementation of management controls. Customs agreed with these findings and recommendations, and has initiated corrective actions. (Report No. OIG-00-066, 3/6/00)

Examples of process/efficiency evaluations conducted in FY 2000 include:

- *Excess Collections:* When a payment cannot be associated with a taxpayer's account or a tax return is not filed, the IRS will, after meeting processing requirements, transfer the payment to its Excess Collections Accounts. Payments in Excess Collections also include unidentified remittances (where the identities of taxpayers are unknown), miscellaneous fees, and voluntary contributions.

  The Treasury Inspector General for Tax Administration found that taxpayers do not always receive credit for certain tax payments, due to the IRS' computing systems limitations and processing procedures, and legal requirements (Report #2000-30-088, 6/13/00). The OIG identified millions of dollars that needed to be credited to taxpayers' accounts, as well as an opportunity for reducing processing costs while improving customer service.

IRS management agreed with the recommendations in the report and quickly began actions to improve the process for managing Excess Collections Accounts. The IRS, using a Treasury Inspector General for Tax Administration-developed database, established an adjustment program to ensure that eligible taxpayers had payments in Excess Collections files transferred to their primary accounts. They also planned to make significant modifications to their information systems.

- *ATF's Youth Crime Gun Interdiction Initiative:* In July 1996, ATF initiated the Youth Crime Gun Interdiction Initiative (YCGII) to strengthen enforcement efforts against gun traffickers who supply firearms to juveniles. During FY 2000, the Treasury OIG completed three audits related to YCGII. The first audit focused on ATF's redesign of its Firearms Tracing System and found that while the system generally is meeting user needs, the conversion did not take place in the most efficient manner. The second audit evaluated ATF's procedures and controls over YCGII funds and found that certain obligations and expenditures were not used efficiently and may not have supported YCGII activities.

  Most significantly, the third audit looked at ATF's implementation of the YCGII program. The OIG found that ATF field offices responsible for implementing YCGII in the first 17 cities to participate in the program have not consistently performed important program activities, such as ensuring that the cities submit trace requests for all firearms recovered in crimes. Also, ATF has not ensured that appropriate special agent resources were available in field offices to conduct YCGII-related activities. Certain police departments were either not familiar with, or did not avail themselves of ATF's analytical tools to help target firearms traffickers for investigation. Finally, ATF has not developed specific performance measures that show the actual impact on youth violent crime in the cities as a result of participating in YCGII (Report Nos. OIG-00-087, 5/30/00; OIG-00-093, 6/16/00; OIG-00-119, 8/21/00).

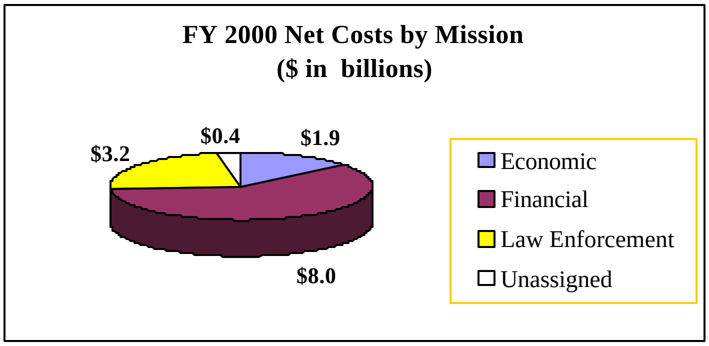
  ATF generally agreed with the OIG's recommendations and has initiated or planned actions to address the recommendations.

- *Investigations of Financial Institutions Fraud:* In the late 1980s and early 1990s, bank insiders primarily committed fraudulent schemes against financial institutions. Today, check fraud and counterfeit negotiable instrument schemes by outsiders are the most prevalent crime trend confronting the Nation's banking infrastructure. Estimates of losses resulting from financial institutions fraud (FIF) are as high as $15 billion a year. Electronic banking, which is anticipated to increase 600% in the next two years, has created new opportunities for high technology fraud against financial institutions.

  Treasury's OIG evaluated the impact of the Secret Service's financial institution fraud investigations (Report #OIG-00-070; 3/20/2000). The evaluation found that the Service's FIF cases have resulted in increased prosecutions in State and Federal courts and disrupted some major schemes to defraud banks. Findings also revealed that (i) certain actions could strengthen efforts to investigate the most significant violations, (ii) performance measurements and reporting needs improvement, and (iii) communication with specific outside parties could be enhanced. The Service generally agreed with the OIG recommendations and plans to implement them.

Appendix D: Net Cost to Accomplish Treasury's Strategic Missions

Measuring *costs* (the value of resources used to achieve an objective) is an integral part of measuring performance. When cost information is linked to measures of effectiveness in achieving a desired outcome or stated objective, readers can assess the "cost-effectiveness" of a program. *Net cost* refers to the program's total costs (including supporting services) minus the revenues the program earns.



The combined total net cost of Treasury's business in FY 2000 was $13.5 billion, as reported in Treasury's financial Statement of Net Cost in the FY 2000 Accountability Report. This statement and supporting information display the full costs of programs carried out by the Treasury Department to meet the three strategic missions described in Treasury's Strategic Plan: Economic, Financial, and Law Enforcement. The report also displays costs by bureau, office or organization within the three mission areas. Costs that could not be assigned to program areas are shown separately.

The largest proportion of costs goes to ***Manage the Government's Finances*** (the Financial mission) and accounts for $16 billion in total costs, of which $8.3 billion was for the revenue activities of the IRS. Total costs were offset by $8 billion in earned revenues, principally $3.4 billion from the Federal Financing Bank and another $3.7 billion in revenues earned by the U.S. Mint. Net cost for this mission was $8 billion.

To ***Safeguard our Financial Systems, Protect Our Nation's Leaders, and Secure a Safe and Drug-Free America*** (the Law Enforcement mission), our total costs were $3.4 billion. The largest law enforcement costs were approximately $1 billion each for the U.S. Customs Service and the U.S. Secret Service, $.6 billion for IRS law enforcement and $.5 billion for the Bureau of Alcohol, Tobacco and Firearms. The net cost for this mission was $3.2 billion.

Total costs to ***Promote Prosperous and Stable American and World Economies*** (the Economic mission) were $4.1 billion. Of this amount, $1.4 billion went to Treasury International Assistance Programs. The $1.9 billion total costs for the Exchange Stabilization Fund were offset by earned revenues of $1.6 billion. Of the $550 million total costs for the banking regulatory agencies (Office of the Comptroller of the Currency and Office of Thrift Supervision), all but $5 million were offset by earned revenues. Net cost for this mission was $1.9 billion.

Although bureaus allocated most of their management and general administrative costs to programs within the three mission areas, approximately $400 million in net costs are displayed as ***Costs Not Assigned to Programs.*** These unassigned costs, which could not be reasonably allocated to a program area, are principally for the Treasury Inspector General, Treasury Inspector General for Tax Administration, and the Departmental Offices' Working Capital Fund.

Combined Net Costs by Treasury Mission
($ in millions)

	FY 1998	FY 1999	FY 2000
Economic Mission			
Total Costs	$2,932	$2,478	$4,063
Less Earned Revenues	-2,054	-3,618	-2,138
Net costs, Economic mission	$878	-$1,140	$1,925
Financial Mission			
Total Costs	$16,363	$16,960	$15,897
Less Earned Revenues	-6,892	-6,922	-7,928
Net costs, Financial Mission	$9,471	$10,038	$7,969
Law Enforcement Mission			
Total Costs	$2,060	$2,975	$3,352
Less Earned Revenues	-82	-83	-177
Net costs, Law Enforcement	$1,978	$2,892	$3,175
Costs not assigned to programs			
Total Costs	$1,478	$1,104	$984
Less Earned Revenues	-725	-743	-603
Net costs, Unassigned	$753	$361	$381
Combined Total, Treasury			
Total Costs	$22,833	$23,517	$24,296
Less Earned Revenues	-9,753	-11,366	-10,846
Net costs, Treasury	$13,080	$12,151	$13,450